

JPRS 79870

15 January 1982

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2220



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

15 January 1982

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2220

CONTENTS

INTERNATIONAL AFFAIRS

Development, Problems of Polish Economy Explained (MLADA FRONTA, 10, 13, 19, 24 Nov 81)	1
Causes of Crisis	
Consequences of Crisis	
Relations with West	
Poland and Socialist Countries	

CZECHOSLOVAKIA

Excessive Industrial Bureaucracy Criticized in Management Seminar (RUDE PRAVO, 1 Dec 81)	13
---	----

HUNGARY

State Secretary Discusses Economic Problems (Janos Hoos Interview; NEPSZABADSAG, 25 Nov 81)	24
National Bank Reports on Domestic Finances (FIGYELO, 18 Nov 81)	29
Professor Views Technical Development in Agrobiology, Chemistry (Janos Hollo; ELEMEZESI IPAR, No 10, 1981)	33
Alternative Futures for Grain Production Weighed (Eva Borszeki, Margit Janky; FIGYELO, 25 Nov 81)	39

POLAND

Critical Interview on Economic Reform Published (Zdzislaw Sadowski Interview; ZYCIE WARSZAWY, 5-6 Dec 81)	42
--	----

Ongoing Oil Crisis, Shortage Assessed (Piotr Cegielski; ZYCIE GOSPODARCZE, 29 Nov 81)	47
Role Problems of Producer Cooperatives Analyzed (Franciszek Teklinski Interview; EXPRES WIECZORNY, 18 Nov 81) ..	51
Grain Procurement, Processing Problems Discussed (Kazimierz Nowakowski Interview; CHLOPSKA DROGA, 7 Oct 81)	55

YUGOSLAVIA

Slovenian Employment Problems (J. Pjevic; BORBA, 6 Dec 81)	59
Employment Outlook for 1982 in Macedonia (BORBA, 6 Dec 81)	61
Meat, Flour Industries Threatened in Bosnia-Herzegovina (Marko Mirnic; PRIVREDNI PREGLED, 8 Dec 81)	63
Plans for Domestic Production of Railroad Equipment (Dusan Ivanovic; PRIVREDNI PREGLED, 12-14 Dec 81)	65
Briefs	
Fall in Living Standard	68
Wheat Planting	68
Record Cargo Turnover at Rijeka	68
Energy Production, Consumption, Imports	69

DEVELOPMENT, PROBLEMS OF POLISH ECONOMY EXPLAINED

Causes of Crisis

Prague MLADA FRONTA in Czech 10, 13, 19, 24 Nov 81

[Interview with Vaclav Dvorak, economic attache of the embassy of the CSSR in Warsaw, by Karel Cech and Milan Syrucek; date and place not given]

[10 Nov 81 p 3]

[Text] The complex situation in the People's Republic of Poland [PLR] recently has evoked the interest of everyone who is concerned about the fate of the neighbor with whom we have the longest common border and with whom we are also tied by the bonds of friendship between two socialist countries.

We asked Vaclav Dvorak, the economic attache at our embassy in Warsaw for many years, to help our readers understand more precisely the causes and consequences of the process through which Poland is now passing, and above all the problems of its economy.

[Question] Let us begin with causes; is it possible to search for their roots over a longer historical period?

[Answer] After the Soviet Union, Poland was the country in Europe which endured the greatest material and human losses as a result of the second world war. Even after the end of the war, there was a difficult 3-year period of what, for practical purposes, amounted to a civil war, the consequences of which were felt even in liberated Czechoslovakia, where we had to deal with the liquidation of routed outlaw gangs which were fighting their way across our territory toward the western zones of Germany and American units. It is no surprise then that the leadership of the Polish United Workers Party [PZPR], which arose in 1948 after the merger of Polish communists and socialists, has always sought a resolution of its economic policy which would assure for Polish workers the rapid development of their living conditions, after the long years of wartime suffering and the bitter experiences from prewar Poland. To accomplish this, however, it was first necessary to create the material conditions, in the form of capital investment and the development of the raw materials base. This was a matter of difficult and costly investments, which are not always conducive, from an economic viewpoint, to an immediate rapid

increase in the standard of living. For this reason, in the whole postwar history of people's Poland one observes a recurrent conflict between the percentage of the national income applied to accumulation and the level of consumption. The periods from 1950-1958 and from 1959-1970 have been typical of this development, in the sense that the first years saw greatly intensified capital investment while the later years were times of increases in personal consumption as a percentage of national income, often under the pressure of growing worker dissatisfaction.

[Question] A similar trend--which appears to be still stronger--has been evident in Poland's economic policies in the seventies as well...

[Answer] At the Sixth PZPR Congress, the new leadership adopted the strategy of "the accelerated socioeconomic development" of the country. This was based on the assumption that relations between socialist and capitalist countries were entering an extended period of coexistence and cooperation, and that the conditions for the granting of credits in the capitalist world were relatively favorable (supply in excess of demand on the international financial market, and an increasing rate of inflation in the capitalist world, which made repayment easier). This new, seemingly attractive resource for the use of the national income was to be employed toward the further dynamization of capital investment, the goal of which was the development of additional structural changes to increase the export capabilities of Poland, making possible the subsequent repayment of the awarded credits and a more rapid increase in the standard of living. The necessity for creating 1.8 million new jobs for young people who were just entering their productive years was an additional important factor from 1971-1975.

[Question] When did errors in the implementation of this economic strategy begin to appear?

[Answer] The 1971-1975 five-year plan, which was fundamentally based on the proportional development of the national economy and which was in balance, began to be overfulfilled both in terms of the formation of resources and in terms of use. This overfulfillment did not take place in mutual proportions. The attempt by the PZPR leadership and the government to achieve a more rapid increase in living standards led gradually to a situation in which the rapid pace of capital investment was accompanied by a rapid increase in consumption, especially personal consumption. The major source of this overfulfillment began to be a more rapid drawing on foreign credits. The development of proportions in the national economy ceased to be evaluated. Various economic theories began to be propagated which did not prove valid. These were no analyses of economic development which would provide appropriate conclusions to serve as the basis for operative decisions concerning necessary corrections in the plan. During this period, accumulation increased as a percentage of national income from 26.1 percent in 1970 to 34.1 percent in 1976, reaching the highest level in the whole postwar existence of People's Poland. The average annual increase in the development of investment represented 16.3 percent from 1971-1976, as opposed to 8.3 percent for the years 1965-1970. Industrial production also reached a high growth rate. Its average annual growth rate amounted to 10.2 percent from 1971 to 1975, in comparison with 8.4 percent for the period 1965-1970.

[Question] But during this period the uncontrolled character of development increased. What caused this?

[Answer] A situation arose in which wages and overall personal incomes were increasing faster than deliveries of consumer goods for internal labor productivity. The average annual increase in personal income amounted to 13 percent, while deliveries to consumer goods inventories increased only 10 percent in constant prices. From 1971-1975 a 1 percent increase in the social productivity of labor was accompanied by a 1.7 percent increase in personal income. These "scissors" opened rapidly in 1975.

[Question] And how did development proceed in agriculture?

[Answer] The appearance of serious disproportions in the Polish national economy has been influenced likewise by unfavorable weather conditions which have caused a decline in the pace of agriculture, and especially of plant production. In order to maintain the growth rate of livestock production, the Polish leadership began, to an ever greater extent, to import grain and fodder from the capitalist countries. Between 1971 and 1975, 21.1 million tons of grain and fodder were purchased, with an increase occurring beginning in 1974. In 1975, three times as much grain and fodder were imported as in 1970.

[Question] What were the consequences for the domestic market?

[Answer] The per capita consumption of meat, which increased from 53 kilograms in 1970 to 70.3 kilograms in 1975, began to be more and more dependent on grain and fodder imports from capitalist countries. The growing imbalance on the domestic market was to have been partially compensated for by imports of consumer goods, which increased almost 80 percent from 1971-1975. This gradual weighing down of accounts with capitalist countries resulted in the building up, by 1975, of a trade deficit of almost 10 billion foreign-currency zlotys (more than 3 billion).

[Question] What errors were committed by the Polish leadership from 1976 to 1980 in regard to this dangerously increasing economic imbalance?

[Answer] A radical reduction in investments as a percentage of utilized national income did not help. An "economic maneuver" which was to operatively shift labor and capital, among other reasons, to strengthen deliveries for domestic commerce and to increase Poland's export potential, did not have the expected effect. No improvements were achieved in either housing construction or the industrialization of agriculture. Throughout the national economy, the unfavorable results began to be felt of the obsolescence of construction, energy sources, and transportation, an obsolescence which has become chronic. Intensification of the mining of bituminous coal resulted in a failure to maintain its quality for specific power plants, which increased the amount of repairs of boilers and energy-generation equipment to a point at which they could not be handled. In comparison with this, wages and personal income continued to grow rapidly, while goods and paid services became shorter and shorter in supply. While in 1976 an 11.7 percent increase in incomes of 10.4 percent was accompanied by a gradual decline in the increase of deliveries for domestic commerce all the way to 1 percent in 1980 (calculated in constant prices). Indebtedness has continued, at the same time that its base, in terms of foreign creditors, has shifted from credits for investment to credits primarily to cover the importing of grain and fodder and everything that is connected with the feeding of the population. From 1976 to 1980, 40 million tons of grain and fodder were imported. Imports of these products for the whole decade, represented

an outlay of about 8.5 billion. Indebtedness to capitalist creditors in 1980 surpassed \$20 billion, and a higher percentage of these were mid-term and short-term credits on which interest rates are very high (18-20 percent).

[Question] What caused this?

[Answer] At first, this came about as a result of improperly implemented efforts by the Polish leadership to accelerate the increase in living standards through a high percentage of investment in proportion to national income, and later by more serious errors which may be described in the aggregate as a deviation from the principles of democratic centralism, from the principles of a planned, proportional national economy. A number of specifically Polish problems have contributed to this as well, agriculture being without doubt one of them. The share of the private sector in agriculture has stagnated at about 75 percent. Three and a half million private farmers, most of them over-age and in many cases without heirs, have become in the past year, under the influence of rural Solidarity, a serious political obstacle which is resisting the supplying of the cities with meat and other agricultural products.

Consequences of Crisis

Prague MLADA FRONTA in Czech 13 Nov 81 p 3

[Continuation of interview with Vaclav Dvorak by Karel Cech and Milan Syrucek]

[Text] In the first segment of our interview with Vaclav Dvorak, the economic attache at our Warsaw embassy for many years, we discussed the long-term causes of the process that Poland is currently undergoing, especially in the economic sphere. Today's segment is devoted to the consequences of the Polish crisis in recent months.

[Question] The leadership of the so-called independent, self-governing trade union Solidarity has recently accused the PZPR leadership and government of being responsible, due to its leadership of the country, for the currently catastrophic state of the country, especially in the area of the economy and supply. Is this true?

[Answer] This is related to the question of whether the complex situation was resolvable in 1980. This question may be answered in the affirmative: on the condition, however, that the PZPR leadership return to Leninist norms in the life of the party and society; on the condition that matters be called by their true names; on the condition that the practice of living off foreign resources gradually end and that honorable work become the major, if not the only, source of an increase in the living standards of the entire population; on the condition that propaganda adapt to the new tasks and requirements of society, which in turn will focus on factors of intensive development under ever more complicated external and internal conditions.

In the middle of last year the Polish working people did not have an easy life, but were managing to get by. Only sugar was being rationed, and the amount of the allocation was sufficient. A group of Polish economists had formulated a plan and an approach to the development of the balance of payments with capitalist countries designed to slow down the indebtedness process and, by 1985, to shift to a gradual reduction in its credit dependence on capitalist lenders.

[Question] What, then, is making the implementation of this plan impossible?

[Answer] Above all, I want to emphasize that the government has approved this plan. The conditions of the economic process designed to assure the maintenance of the balance of payments were quite feasible, assuming the mobilization of all the creative energies of People's Poland and the unity of the leadership in words and deeds.

This was prevented, however, by antisocialist forces, which promptly and cunningly exploited the dissatisfactions of a significant percentage of the workers and, by calling a wave of strikes on the Baltic coast, imparted a completely different direction to developments in the country, which we are witness to today. They founded an organization to which they gave the name Solidarity.

[Question] The government likewise proposed certain economic laws...

[Answer] Yes, in June it submitted to the Sejm a report on the condition of the Polish economy and proposals for two laws: one concerning the position of the enterprise, and one concerning workers self-management, both of which are components of the proposed economic reforms. The leadership of solidarity adopted a very critical view both of the report and especially of both proposed laws and demanded that the choice, appointment and dismissal of enterprise directors be under its control. The entire conception of the legal and economic standing of the enterprise and the jurisdiction of self-management, as enforced by the leadership of solidarity, is in opposition to the concept of socialist ownership by all the people of nationalized industry, and introduces the concept of group ownership with all of its consequences in terms of subsequent economic atomization and various forms of antagonism. At the same time, it strengthens the private ownership sentiments of the workers, characteristics which from historical perspective are foreign to the working class. The Sejm approved the proposals for both laws with changes which partially accommodated the leadership of solidarity. However, at the first nationwide gathering at Gdansk, the delegates were not content with a partial victory and demanded, after the fact, that the original requests of Solidarity also be included. They even threatened to conduct a nationwide referendum. The law concerning the enterprise and worker self-management became, then, one of the important means in the struggle for power in People's Poland.

[Question] What exactly has Solidarity represented?

[Answer] In these so-called self-governing, independent unions, there have merged under this name all of the previously hidden and clearly oppositional forces in People's Poland, which had lost their intense influence in Polish society during times of economic and political successes. The Polish Catholic Church represents an exception, in that with its traditions and strong influence, especially in the countryside, it has always been a serious problem in the progressive development of Poland. There has gathered in Solidarity a conglomeration of all possible ideological influences from Trotskyism, through anarchosyndicalism, to the philosophy of militant catholicism. An example of this is the program adopted at the first nationwide congress of solidarity in Gdansk. Its common denominator is antagonism toward socialism, which approaches the inveterate in some representatives of Solidarity.

[Question] How is it possible to explain the important influence, until recently, of Solidarity on the workers?

[Answer] This is due, above all, to the complicated socioeconomic situation in the past year in People's Poland, to mistakes in the economic policies of the previous leadership of the PZPR and the government, and to a low level of awareness of social processes, especially among the younger generation, which is predominant today in Poland (about one-half of all Poles are under 30 years of age). In the past 10 years, approximately 6 million Poles have entered the work force, most of them from the countryside where they lived under the influence of the Catholic Church. The result has been the ideological pulverization of the working class. It is no accident that the average age of the active functionaries of Solidarity is very low. Likewise, the active integration of unfriendly ideological diversionary centers in the process of the destabilization of socialism in People's Poland has born its own fruit.

[Question] Why, after a year, is Poland on the edge of an economic abyss?

[Answer] It is primarily the result of the systematically destructive actions of the leaders of Solidarity, which have been characterized by waves of repeated strikes (which are, by the way, paid), by the introduction of a 5-day workweek (which handicapped most of all the extraction of bituminous coal and, through this deeply reduced extraction, energy generation, industry, but also exports), by actions which result in an increasingly neurotic society, and by socially unjustified wage demands which have been implemented gradually (from July 1980 to March 1981, the total income of the population increased by approximately 140 billion zlotys). The disruption of labor and social discipline has also been a consequence of more than a year of Solidarity activity.

[Question] Is it possible to document this with some numbers?

[Answer] Industrial production in August of this year was 28.4 billion zlotys less than the comparable period in 1980, an 11.4 percent decline. The average level of employment was 0.3 percent lower in August of this year than a year ago, while wages paid from the wages payable account were 26.9 percent higher. Coal extraction declined 22.7 percent. From January to August 1981, industrial production was 13.2 percent lower than the comparable period last year, while pay increases from the wages payable fund increased 25.1 percent. Bituminous coal extraction decreased 21.4 percent in this period, and the production of copper declined 12.6 percent.

[Question] The decline in agriculture is, clearly, still more significant?

[Answer] Procurement of slaughter cattle was 32.3 percent lower in August of this year in comparison with August 1980, and 37.9 percent below the average August procurement of 1978-1980. The status of the signing of contracts for the September-November period gives little hope for an improvement of this situation. In August, the procurement of slaughter cattle was 2,000-3,000 tons lower per day than projected in the plan. It has become a paradox that the purchase of slaughtered meat in some oblasts is lower than the farmers themselves are consuming on their ration coupons. Therefore, it is not possible to assure throughout the country an amount of meat and meat products which will correspond to the number of issued ration coupons. The need to cover fully the coupons which have been issued has, so far,

not been resolved even by increased deliveries of meat from abroad (above all, from the Soviet Union, which has delivered 30,000 tons of meat and 30,000 tons of fish in excess of the amounts contracted for under the plan). From the above realities, I think it is evident where the cause for the current catastrophic situation in Poland lies. The workers are suffering the most, and their process of political differentiation is beginning to accelerate.

[Question] If, then, we were to summarize concisely: What are the main causes of the Polish crisis?

[Answer] It is necessary to emphasize that the results of social and economic development from 1971 to 1980 do not represent the incompetence of the socialist order in Poland but are, on the contrary, the result of a serious deviation from the constantly valid principles of the proportional development of a socialistic national economy and from Leninist norms in the life of the party and of society. Keep in mind that over the past 10 years the People's Republic of Poland has ranked among the 10 most industrialized countries in the world. The rapidity of the industrialization process undergone by Poland since the end of World War II could not have been carried out by any social order other than that of socialism. The question now in Poland is to decide first of all the issue of political power between the forces of progress and the coalition of reactionary antisocialist forces concentrated in the leadership of Solidarity. After the victory of all those forces committed to socialism, it will be necessary to embark on the path of concentrated effort toward the elimination of the economic, but also moral and political damage perpetrated since August 1980. At the same time, it will be necessary to proceed on the basis of the lessons learned from those shortcomings which accompanied the social and economic development of the past 10 years.

Relations with West

Prague MLADA FRONTA in Czech 19 Nov 81 p 3

[Continuation of interview with Vaclav Dvorak by Karel Cech and Milan Syrucek]

[10 Nov 81 p 3]

[Text] The economic policy of the accelerated social and economic development of the People's Republic of Poland, which we have attempted to characterize in the first parts of our interview with Vaclav Dvorak, the long-time economic attache of the embassy of the CSSR in Warsaw, has its own particular side in the area of foreign relations.

[Question] How has this crisis made itself evident in Polish foreign trade, in the development of its balance of payments with capitalist countries, and in the growth of Polish indebtedness?

[Answer] From 1971 to 1975, exports increased at an average annual rate of 10.7 percent and imports by 15.4 percent. Thus, much more was imported than was exported, the difference being covered with credits. This imbalance between the rate of growth of exports to capitalist countries and imports from them was maintained even in the next five-year plan. In the period 1971-1980, the foreign-currency contribution from the export of goods and construction work to capitalist countries represented 143 billion foreign-currency zlotys, and outlays for imports from these

areas amounted to 197 billion foreign-currency zlotys. The deficit for the entire period then, reached 54 billion foreign-currency zlotys, or approximately \$16 billion. Foreign currency earnings from exports stopped covering foreign-currency requirements for imports in 1972. In 1975, exports covered only 59 percent of imports from capitalist countries. It was a dangerous signal.

[Question] In this regard, how did trade with socialist countries develop?

[Answer] Imports from CEMA countries declined from 65.9 percent of the total in 1970 to 43.8 percent of the total in 1975, and exports declined over the same period from 60.6 percent of the total to 56.9 percent. In later years, when the deficit and the level of indebtedness began reaching an alarming condition, Poland again began to orient itself to the socialist countries. In 1978, imports from these countries amounted to 51.9 percent of the total, and exports to them to 58 percent of the total. The original condition, however, has not been reached as yet.

[Question] It is well known that a characteristic feature of this period was the extensive purchase of foreign licenses, often tied to investment credits. Is it possible to present some facts regarding this?

[Answer] According to data from the Polish statistical office, 343 foreign licenses were purchased between 1971 and 1975, of which only 216 had been implemented as of 31 December 1975. One cannot say that there were no instances when the purchase of licenses speeded up modernization, raised technical sophistication, or that a credit connected to a license was not paid off in the agreed upon time. Nevertheless, there were cases when the purchase of foreign licenses was not thought through, and for which motivations other than economic efficiency and technical appropriateness played a role in the decisionmaking process. The purchase of the license for the production of city and long-distance buses from the French Berliet firm is such a case. Preparations for production began in 1973, but have been drawn out until just recently. The startup of this licensed production is interesting from our point of view also for the reason that it represented the forced conclusion of many years of successful cooperation between the CSSR and the PLR in bus production, which was efficient from the point of view of both sides.

[Question] How, then, may the overall license policy for this period be characterized?

[Answer] Basically, as unsuccessful. To be sure, it accelerated certain construction projects, or made possible the introduction of some new products, but it left behind a large share of imported raw materials, semifinished products, or co-operatively produced components from capitalist countries, which could not be realized in later years of increasing payment difficulties. This also rendered unfeasible the original intention of paying off a significant portion of the foreign credits with exports of licensed products. Nor did it fill the "vacuum" in the scientific and technical backwardness of Poland.

[Question] How has this credit policy been evident in the Polish national economy?

[Answer] In the sense that the economy has become highly dependent on imports from capitalist countries. Imports necessary only for production consumption have reached 23 percent of the final value of industrial production. In 1980, the

Polish leadership formulated a plan to stop further indebtedness. There were to be gradual changes in the structure of the national economy with the objective of stabilizing the balance of payments by 1985. This year there was to be a turnaround, i.e., toward a gradual reduction in indebtedness and to the correction of errors perpetrated in economic policy of the previous period.

[Question] However, the events from the second half of 1980 ruined this precondition.

[Answer] The steep decline in production caused by strikes and an ongoing process of making society more neurotic, both brought on by the actions of so-called solidarity, deepened the crisis to such an extent that in January and February 1981 Poland was unable to fulfill its obligations to Western creditors. At this time, the Soviet Union provided Poland with important assistance with a loan to get over this dangerous situation. Other socialist countries also shared in the assistance of Poland. In March, Poland had officially to apply to the governments of the creditor nations, and later also to a consortium of private banks, to defer the payments falling in this year. In the first round of negotiations, deferral on the payment of government credits in the amount of \$2.6 billion from 1981 to 1986 was achieved. In a further round, deferral was achieved of payment of bank credits in the amount of roughly \$2.5 billion. The private banks, however, did not agree to the deferral of interest payments. On the contrary, they increased them.

[Question] What is the current status of Polish indebtedness to Western creditors?

[Answer] According to a preliminary evaluation by the Polish Ministry of Foreign Trade, it will amount to \$26.5 billion at the end of this year. Since all exports to capitalist countries, for practical purposes, are devoted to covering Polish foreign obligations, imports from these countries must be financed with new credits. Given this situation it would be desirable for exports to increase. Instead, they continue to decline, a condition brought about by continuing declines in production, and especially by extraordinarily low extraction of bituminous coal. It is, therefore, necessary to further reduce imports, including those which are earmarked for production consumption, i.e., raw materials, semifinished goods, etc. This naturally further reduces production possibilities, which again makes exporting impossible. There are cases in which the level and term of deliveries of certain elements of production are not decided in Poland, but in the banks of creditors. It is a vicious circle, one which leads to economic extinction.

[Question] In this regard, how is the current Polish situation to be evaluated?

[Answer] The position taken by the leaders of Solidarity, that they are not interested in where or at what cost Poland obtains the resources to set in motion its already constructed, but largely unused productive capacity, a great part of which is modern, is totally incomprehensible. Their policy of constant strikes, national emotion, and antisocialist ambitions is causing irreplaceable material and moral losses for the Polish working people and is leading to the self-destruction of a nation. Polish experiences at the same time confirm that it is impossible to accelerate or to base the building of socialism on capitalist assistance. The overstepping of an economically bearable level of indebtedness causes a country to fall slowly but surely into the merciless clutches of capitalist banking interests, which are joined by a multitude of ties with political interests. The bankers

today are losing nothing on the unhappiness of the Polish people. The course of the Vienna negotiations on the deferral of loan payments was a convincing demonstration of this.

The victim, however, is the Polish working class, and with it the other workers, a significant portion of whom have submitted, in the hopelessness which has arisen, to demagogery, and is allowing itself for the time being to be led by anarchosyndicalist or nationalistic and religious phrases. It is possible to find in them all kinds of things, but nothing concerning the need to satisfy materially the living conditions of their own people, of their own nation.

Poland and Socialist Countries

Prague MLADA FRONTA in Czech 24 Nov 81 p 3

[Conclusion of interview with Vaclav Dvorak by Karel Cech and Milan Syrucek]

[24 Nov 81 p 3]

[Text] In the preceding segments of our interview with the long-time economic attache of our embassy in Warsaw, Vaclav Dvorak, we have discussed the postwar development of the Polish economy, with particular attention to the causes for its current crisis, and the economic and commercial ties between the PLR and foreign countries. The conclusion of our interview relates to the ties between Poland and the other socialist countries.

[Question] What does membership in the CEMA mean for Poland, especially in the light of the difficulties which the PLR has been undergoing recently?

[Answer] The socialist countries are the most important factor in Poland's external relations. This is demonstrated, among other things, by the share of Poland's total foreign-trade turnover that is conducted with CEMA countries, and which last year amounted to 56 percent. During the past decade, Polish trade turnover with these countries has been, basically, balanced, and only in recent years have Polish imports exceeded exports. Last year, Poland registered a deficit in exchanges of goods with CEMA countries of about 800 million rubles, of which about 700 million rubles was in trade with the USSR. This was the result of increased deliveries of a number of types of goods within the framework of assistance provided to Poland by socialist countries in its difficult economic situation.

This year, Poland has likewise received from socialist countries, and especially from the USSR, very valuable assistance in the form of supplementary increased deliveries on credit. In addition, Poland has also received from the USSR grants of financial assistance in the amount of half a billion dollars. According to recent data made public a month ago in Warsaw, Polish indebtedness to socialist countries amounts now to \$2 billion.

[Question] You mentioned the assistance provided to Poland by the Soviet Union. Can you provide a more detailed characterization of the economic relationships between the two countries?

[Answer] At the beginning of this year, a loan from the USSR made it possible for Poland to honor its debt obligations to capitalist countries, because due to the continuing decline of production, the PLR was unable to cover its payments from its own resources. Also later, the postponement of payments on the remaining part of a loan by the Soviet Union had a positive effect on Western creditors, and was an important factor in the negotiations which Poland conducted with them regarding the deferral of payments.

The USSR has extraordinary importance for Poland in addition to being the supplier of more than 41 percent of its imported raw materials. Poland covers, for instance, with imports from the USSR, 80 percent of its crude oil consumption, 68 percent of its consumption of crude oil products, 100 percent of its natural gas requirements, 78 percent of its iron ore needs, 72 percent of its consumption of potash fertilizers, and 73 percent of its cotton consumption.

This year, despite the fact that due to a decline in production Polish deliveries to the USSR were reduced, the Soviet Union increased its deliveries to Poland above levels provided for by long-term agreements, beginning with cotton, fertilizers, and synthetic rubber right up through, for instance, televisions and refrigerators. Just as with other socialist countries, so-called "step prices" are used in trade with the USSR. These are prices which represent the average of world prices over the last 5 years. In view of the continual rise in world prices, especially for crude oil and for other raw materials, these prices are significantly lower. To illustrate--last year Poland paid the Soviet Union \$110 for a ton of crude oil, while other suppliers were receiving \$241 per ton. Growing expenditures caused by increasing world prices are covered with the aid of Soviet credit at low interest rates, specifically 10-year credits at 2 percent interest.

[Question] These are the commercial ties between the Soviet Union and Poland. Can you characterize concisely other forms of mutual economic relations between the two countries?

[Answer] The Soviet Union has played an important role, particularly in the last 10 years, in the construction of Polish industrial potential. Prior to 1975, for example, it delivered to Poland complete equipment for more than 100 industrial factories and the basic equipment for an additional 200 factories. It has been calculated that these factories were responsible for about 30 percent of Polish industrial output in the second half of the seventies.

To complete the information concerning the relations between Poland and the USSR, it is necessary to mention the characteristic position that Poland has established for itself as a supplier of turn-key projects to the USSR. The PLR has become for the Soviet Union the main supplier of such turn-key industrial projects as, for example, factories for the production of sulphuric acid, wood-fiber boards, sugar, and the like. Poland is also an important partner in multilateral investment projects of the CEMA in the Soviet Union which serve to accelerate the development of the raw materials base.

[Question] In the previous segments of our interview, you identified the roots and consequences of the crisis which Poland has been going through since last year. What effect has this complex development had on the economic relations between the PLR and Czechoslovakia?

[Answer] The protocol concerning mutual deliveries of goods for this year is about 7 percent below the one for 1980. This is the result, primarily, of the decline in traditional raw materials deliveries, especially of Polish coal and sulphur, but also of machinery and equipment from Czechoslovakia to Poland, brought about by sharp restrictions on investment activity in Poland. The implementation of this protocol is proceeding, after the overcoming of some initial difficulties in the first quarter, on the whole satisfactorily, especially in the area of greatest importance to us, raw materials. The final months of the year, however, remain unknown, because this is when there is a concentration of the traditional and non-traditional difficulties in implementation.

The events in Poland have had the greatest impact on Czechoslovak-Polish cooperative relations and concluded specialization agreements. Mutual deliveries from concluded specialization and cooperation agreements represented 22.7 percent of the trade turnover between the two countries in 1979, which was approximately three times the level of 1970. Last year, however, this share declined to 21.2 percent, and is declining sharply this year as well. The main cause of this decline has been a sharp reduction in investment activities in the PLR and a chronic decline in the space of industrial production caused by the strict limitations on imports of raw materials and semifinished products from capitalist countries, repeated strikes and actions to make society neurotic undertaken by "Solidarity".

[Question] What may be projected for the future development of our economic relations with Poland?

[Answer] In the assurance of further economic cooperation, both sides are faced immediately with the very serious problem of adapting their needs and possibilities to altered conditions. It is necessary to count on a long-range reduction in the investment activity of the PLR and on a change in its structure in favor of investment in agriculture, the food industry, warehouse management, and, in part, the extration sector as well. The Polish side also offers participation in the gradual finishing up of uncompleted construction projects in the PLR. It is not out of the question that the Czechoslovak side may in the future be interested also in the use of certain production facilities of Polish industry, especially its chemical industry.

It is necessary to assume that the causes of the disruption in the agreed upon specialization and cooperation will be of a long-term character. It will not be easy to find appropriate paths to the kind of economic cooperation between the CSSR and the PLR which would correspond to their economic potentials as well as to the needs of both participating countries. For our part, the good will to achieve this will certainly not be lacking.

9276
CSO: 2400/78

EXCESSIVE INDUSTRIAL BUREAUCRACY CRITICIZED IN MANAGEMENT SEMINAR

Prague RUDE PRAVO in Czech 1 Dec 81 p 3

[Roundtable discussion on the topic: "Can the Amount of Paper Work Be Reduced?"]

[Text] We frequently encounter the view that, although the "Set of Measures for Improving the Planned Management System" is a sensible thing, it has failed to specify in its provisions the means for taming burgeoning bureaucracy. When we study the Set of Measures thoroughly we cannot overlook that it does contain such directions and recommendations, but probably because they are not linked to material incentives they have not been very effective so far. The rationalization of management and simplification of reports and statements is absolutely imperative even without links to material incentives, and a new way of thinking and new approaches are necessary also in this area.

We attempted to disentangle the knot of problems and causes of rampant red tape, and to find some of the ways and possibilities of a desirable solution at the roundtable discussion in which the following persons took part: Eduard Podzemny, deputy head of a CPCZ Central Committee department; Ladislav Matejka, secretary of the Government Committee for the Problems of Planned Management of the National Economy; Frantisek Jandera, head of the secretariat of the chairman of the East Bohemian Kraj national committee; Vladimir Janicki, general manager of the VHJ [economic production unit] Metallurgical Secondary Production Prague; Hana Kobylkova, head of a department of ZVL [expansion unknown] information system. Klasterec nad Ohri; Jiri Kyncl, economic deputy manager of the Rempo plant Pardubice; Marie Laskoszova, designer of the J. Fucik Electrotechnical Plants Brno; Ladislav Svoboda, economic manager of the VHJ Wool Industry Brno; Jiri Syblik, head of the department of Labor Economics of Construction Plants general directorate Prague.

Edited by Svatopluk Smutny and Miloslav Vltavsky.

[Question] Where do you see the possibilities of improving management of your organization by reducing the amount of paper work?

[Answers]

L. Svoboda: I think we must insist on the evaluation of every organization and its departments according to the actual achievements and not on the basis of paper documentation. As of now, all controls and checks focus on papers and not on actual results. This forces every organization to make ready all possible documents, preparation of some of which is rather time- and labor-consuming. The amount of paper work also increases because there must always be documentation at hand for potential defense, although many of these papers are never used.

V. Janicki: We have analyzed our production basis and reached the conclusion that we can go ahead with centralization and reduce the number of enterprises from 14 to perhaps 7. This alone will already result in considerable savings. The analysis has also revealed that 90 percent of paper work at the enterprise and VJH levels is called forth by the central agencies. This applies not only to statistics--that would be understandable--but also to operative management. If we have accepted the principle that the VJH is the principal unit of management, then it would be in my opinion only logical to link it directly to some central agencies and departments, and to bypass, for example, the intermediary level--the ministry. We would eliminate a great deal of duplication, "mailing" and formal planning and management. I can prove that thousands of documents and data are submitted which cannot be practically processed by the very organs which requested them. Furthermore, it must be taken into account that paper work is produced not only by the system, but by the quality of personnel in the first place. I can mention an example: the fact that three or four people failed to carry out an assignment with responsibility resulted in an immense amount of paper work in order just to remedy the situation. In other words, in order to cut down on paper work we must have qualified personnel.

F. Jandera: Some time ago, 58 statements in the area of national committees were abolished. But the bureaucratic habits are so deeply ingrained that four okres national committees continued to send us these statements, probably because they have a good supply of forms. I am convinced that we should not stop but persevere in further simplification of paper work. We have 883 local and municipal national committees in the East Bohemia kraj in which at least half of the officers are honest people. Now imagine the following situation, for example; the chairman of the MNV [local national committee] operates a tractor during the day. When he gets off his tractor in the evening, he goes to the office to work as MNV chairman. He has nobody to help him, but we swamp him with paper work. We should kiss his hands and not drive him mad by that mountain of papers. At the end of last year, we organized an exhibition--I admit that it was not open to the public--at which we displayed various documents, materials and papers. We demonstrated in graphic examples everything that we managed to "produce." In one section we exhibited the attitude of some workers of central agencies which was difficult to understand. They ask us to send them promptly rather complex analyses, but give us no time to do so. As a result, their request is complied with in a formal, often meaningless manner.

J. Syblik: The central agencies often set a limit for the number of technical and economic workers even in enterprises. They do not say, however, how it should be done in order to reduce the amount of paper work. Some regulations are, in my opinion, too complex and the explanations of how this or that form should be filled

out are sometimes much longer than the statement itself. The tendency on the part of central organs to manage operatively is also a mistake. In addition, they ask for many reports which will not make them wiser anyway. Many reports are requested in a formal way merely as documentation for potential checks. But when the auditors come, they are not interested in how we implemented certain measures, but want to know whether we called a meeting and we must show them the formal invitation to the meeting, minutes of the meeting and so on.

H. Kobylkova: Ever since our VHJ ceased to be a sectorial unit and became part of a concern, our agenda increased considerably. We received more requests for analytical reports. We are asked to supply appendices to the routine accounting and statistical statements, and submit additional one-time statements and reports. The supervisory organ likewise advances the deadlines for submitting statistical statements: Prum 2-12 statement, for example, is to be submitted within 3 days. This is very strenuous for us and requires very intensive work. The number of technical-economic workers in our enterprise considerably declined--to 34--in the last 3 years. Some indicators are found in many statements. Thus, for example, commodity production in 8, gross production in 4, total sales and their breakdown in 10, number of workers in 7, adjusted value added in 5 statements or reports. We also have a statement on financing of capital investment projects, but the general directorate invents another table which contains essentially identical data, but wants to have them reported quarterly. This work could be cut down, simplified. In addition to the statements sent to the state agencies, we must send a large number of additional tables and reports to the kraj and okres statistical offices, bank and so on.

M. Laskoszova: To what has been said here so far, I can add some comments on our experiences from the area of design. Our enterprise receives poor design documentation. The design engineers then revise the design. Every change must be reflected in all departments, in all stages. Certain things are revised as much as three times. There are even projects in which something is being revised all the time. Every change costs approximately Kcs 340 in the used material alone, to say nothing of the losses in production capacity. This depreciates the work of the designer who actually performs the function of a controller instead of devoting himself to his basic activity--to think how to improve the quality of the product, how to achieve material savings and so on. The increase in paper work and other agenda is caused also by the poor technical documentation--manuals, catalogues. What is not there such as price, delivery term, must be found somewhere else and verified by the designer himself. And the resulting unnecessary correspondence or telephone calls are in the same category as unnecessary paper work caused by the fact that documentation is inadequate.

J. Kyncl: I have been employed in a subsidiary plant for 30 years and I am thus the last unit in which all demands from the center end. The only possibility I have is to search for ways in which the demands can be complied with. Thus, I have tried for years to find technical means which would have made it possible to meet these demands--although I think that these demands are superfluous, exaggerated and repeated in many instances. But if I tried to prove this to my supervisor who invented them he would stubbornly resist because he would be afraid that I threaten his usefulness. I am convinced that the excessive amount of paper work is caused by the progressing centralization of some activities. A general directorate and still less a ministry cannot control specific production or individual sales because they do not have enough information to do so, nor can they process it.

E. Podzemny: The 16th CPCZ Congress took a position on the problems of reducing and simplifying paper work. It stated that decisive and consistent measures had not been implemented. The reduction of paper work involved in management must be initiated and consistently carried out by the center which indeed issues many orders, various regulations, statements, methodological instructions and so on. With some variations, other levels of management do essentially the same thing. The lowest level of management--plant, operation--is then glutted by paper work. Instead of having more time for controlling production and economic processes, management personnel must do a great deal of paper work.

Among other causes unquestionably is the style and methods of work of key personnel--namely, how able they are to organize work, to manage, to control, how much they know about modern methods of organization and management. It is indisputable that much paper work is caused by lack of delimitation of jurisdiction and responsibility. Problems should be solved where they arise, but many of them are unnecessarily referred to higher levels of management for solution.

There are, of course, more factors which contribute to the increase in paper work. It depends upon the quality of key, but also other personnel, their political attitude and professional background, their initiative, their ability to press for everything new and progressive in organization and management and to eradicate various ingrained habits. Unnecessary paper work unquestionably makes management more difficult because it robs the managers of precious time so necessary for economic decisions. Last but not least, administrative oversaturation diverts attention from direct work with people. One of the important qualities of the manager must be to know what does on in the workplace and to know the abilities of individual workers. This is the prerequisite for their management, supervision and control.

When we rightfully criticize the excessive amount of paper work and demand its reduction, this does not mean that we underestimate it. A certain amount of paper work is absolutely indispensable for management, because it establishes order and creates prerequisites for checking on work results. The important point is to decide what is and what is not necessary. I want to emphasize only that paper work cannot be underrated, but we must more vigorously combat excessive paper work.

L. Matejka: Many reasons were mentioned for extensive paper work involved in management. This has also been confirmed by the detailed analyses of this problem. The excessive amount of paper usually points to the low quality and low efficiency of management in this or that sector, and also to the fact that flexible, operative management is replaced by paper work, statements and reports, and shifts of responsibility for the solution of problems from one level of management to another. Among the causes already mentioned, I would like to emphasize especially one--namely, the lack of delimitation and consistent practical application of jurisdiction and responsibility of individual levels of management, of individual managers, including their right to make final decisions. This results in the unnecessary delegation of decisionmaking authority to higher levels of management, duplication of work at several levels of management, excessive scope of operative management by the central agencies and thus ultimately in the dissipation of responsibility for the solution of individual problems. This approach is motivated by the deep-rooted idea that the more complex a problem is the higher the organ which must deal with it. The central control agencies are then overburdened also with questions of a quite specific or even technical nature which they cannot solve because they lack the

necessary knowledge. This is due to the simple fact that they were not solved by the enterprise and VHI managers in their own jurisdiction, by agreement between customers and suppliers, between investors and construction organizations and so on. This is not only harmful to the operative nature and efficiency of management, but also calls for additional reports, statements and so on. On the other hand, the fundamental questions affecting the entire national economy must be decided by the center because no other level of management possesses the necessary knowledge to do so.

[Question] What prevents you from cutting down on paper work?

[Answers]

J. Kyncl: I will put it briefly--my supervisory organ, which tries to centralize at the general directorate all activities for which the plant should be responsible. This necessitates time-consuming elaboration of additional documents, first manually, then their transcription on special typewriters in order to make them suitable for automatic processing (if a mistake is made somewhere along the line, everything is sent back and the entire merry-go-round is set into motion again), the results are returned to the plants and can be used only with a considerable delay.

J. Syblik: We made an inventory of all reports required by the general directorate from the subordinate organizations, and we issue regularly a catalogue of statements which we want to receive in the future. We have abolished some information previously requested by various departments from the subordinate organizations because the respective information can be obtained from statistical reports and analyses. We will update this catalogue every year. We want eventually to reach a point where department heads do not require information which is not listed in the catalogue. I think that the center could also prepare a similar register of reports and of absolutely necessary indicators. Furthermore it is necessary to simplify wage regulations which are rather complicated. They should be more flexible and should not be revised as often as in the past. I am going to give you another example. We are trying to make transportation of concrete more efficient. The capacity of concrete mixers at construction sites is sometimes not efficiently used, so we want to centralize mixing and to transport the concrete mixture to individual building sites. But there is a catch: so long as the concrete mixer is on the building site the operator is paid according to a different wage scale than in the central mixing plant. He is paid higher wages on the construction site than he is entitled to in the mixing plant and must also pay for his lodging. These are the differences which amount to hundreds of Koruny monthly and are in conflict with the intention to rationalize production. I have yet another problem in mind. I set up a section with 10 people. This is enough to break the section into several departments and to appoint department heads. If the workers in the section manage to carry out specified work with fewer people, I must abolish the position of some department heads, reclassify them according to a new scale and pay them less, although it would be logical to pay them more for the higher output.

V. Janicki: Apart from the reduction of the number of enterprises, we have also taken economy measures in other fields. We have set up joint warehouses of spare parts and some instruments for several enterprises. Nothing prevents us from doing so and we can set up the norms and principles, and make decisions ourselves. Another area is planning. On the one hand, the plan must be simplified, on the

other hand, it is necessary to improve the standard of planning, to operate with truthful facts, with qualitative norms. Finally, in the third place, it is imperative to introduce khozraschet systematically. We will not be able to do without modeling khozraschet at the VHI level. However, we are hindered in this by the fact that the lines of jurisdiction and responsibility between the VHI and the center are not precisely defined. In the first place, we must know the long-term norms (this is the role of the center) and all indispensable principles in order to be able to model our khozraschet. I think we could all benefit if we put an end to ministerial particularism and compartmentalization and adopt some personnel policies which have not been customary so far: to select capable individuals, to set up teams around them and to assign to these task forces certain structures of problems or activities within the entire VHI or enterprises. So long as we continue to compartmentalize and assign people to specific sections it happens that at times they have too much to do and at other times virtually nothing. We must not be afraid of reassigning people according to the actual need. This of course requires that they must possess a diversified professional background and be able to work on different jobs. The system of material incentives and related questions must be solved accordingly.

L. Svoboda: We have a pretty good idea of what must be significantly reduced. We do not want to acquire information whose practical purpose will not be defined in advance. This is important in view of the time-consuming labor involved in obtaining some information. This our internal affair without any limitation. We want to improve analytical work so that the finished document must serve primarily that level of management by which it was produced and whose workers can get from the analysis stimuli for their decisionmaking. I deem it correct to devise methods of management according to goals and methods of evaluation according to results actually achieved. The prerequisite for rationalization of management, of course, is that the level of management or responsible worker who assigns the tasks and specifies the goal, must have at least one alternative for how to accomplish the task or attain the goal.

F. Jandera: In the area of records and internal instructions, we have decided within the KNV [draj national committee] to abolish 26 statements and 19 internal instructions and in addition to reduce the scope of some statements and instructions. We are also considering revising the timetable for certain activities. Many KNV do their business in the afternoon. The okres national committees should do the same. But we want to go even further. Until recently, the plenary sessions of municipal committees started at 1 pm. Why should they not start at 4 or 5 pm to make the participation of citizens possible? To make the most effective use of the time available to our staff, we intend to render more assistance to the basic units. We have dispatched, for example, more than 100 activists to the constituent plenary sessions and gained, without any paper work, valuable experience for our further work. We also monitor the number of meetings and have reduced by one-third the number of KNV meetings. We have also prepared some documents to demonstrate how the tax agenda could be simplified.

M. Laskoszova: In our enterprise, a number of operations are computer-controlled. To be able to do this, properly qualified personnel are required. I have the impression so far that most of the computers are used as calculators or printing machines for administrative purposes and only exceptionally for technical purpose. This is so probably because experts who could furnish the computer with such a

program are not available. We have young engineers in our enterprise who know how to do that and prepare the program for the computer although they personally do not operate it.

H. Kobylkova: About 1955, the view was widespread that anybody could work in the accounting department. As a result, our bookkeeping department was set up with people who had only basic education. Although they have already gained a great deal of practical experience, we still have problems. This is not to say that I would replace them if somebody properly qualified would apply for a job. On the other hand, however, I will not hire a new worker without the required education. In our effort to reduce the amount of paper work, we cannot, of course, abolish statistical records for the state or reports to the supervisory organ, but we try to eliminate the duplication of various supplementary reports, if we know that another department is preparing them. Although we have a small computer for specific agenda, we do not have adequate computer equipment and many things have to be done manually. Nevertheless, we are among the enterprises which meet the shorter deadlines set by the supervisory organ: for example, what we find by the seventh day of the month, another enterprise equipped with a computer does only on the tenth day of the month. This is not our idea of how the computer could help us.

J. Kyncl: We cannot complain about the computer in our enterprise. Its "feeding" ends at 12:30 pm of the first working day of the new month and we have perfect results by the fifth working day. This has been possible to achieve because we have qualified programmers and excellent computer equipment. I think that it was a prudent decision to build not enterprise centers, but centers for sectors, ministries or groups because they achieve the highest labor productivity and data processing can be properly coordinated and scheduled.

E. Podzemny: Among the stumbling blocks to the reduction of paper work, no mention has been made in the discussion so far of such things as alibiism. Many people literally produce administrative paper work simply to have an alibi to prove that they have done everything in their power to accomplish the assigned task. There are also people who invent paper work and maintain that it is absolutely indispensable simply to keep their jobs. And when a decision is made to abolish such paper work, nobody minds and savings are achieved.

The qualification of workers is important regardless of the position they hold. We need more individuals who can think creatively and make a maximum contribution to the effort to reduce the amount of paper work by the use not only of computers but other equipment as well. This saves time and replaces many people, as is borne out by examples where output has increased although the administrative staff has not.

[Question] Indicate statements or reports which you regard as superfluous or unnecessary.

[Answers]

V. Janicki: I was heading a task force checking on the administrative procedures in metallurgy and engineering. We proposed both the abolition of some statements and simplification or more precise definition of others. Thus, for example, in the area of technology we have proposed abolishing seven, simplify three and defining with more precision three statements. In a similar way, we proceeded in other

areas and proposed abolishing five statements in the area of investments, two in power engineering, eight in the area of production, sales and supplies, and eight also in the area of economics. I do not enumerate how many statements we have recommended simplifying or defining with more precision in other areas apart from technology. I would like to say a few words, however, about the motives for our decision. In the area of technology, for example, we proposed abolishing statement Iv 1b-02 on breakdown of work and shipments by contractors (150 items) because it contains information which the general directorate does not need for management. In the area of energy, we recommended the simplification of the annual plan for the energy and water conservation sector, because the general directorate does not need more than 10 percent of currently reported data for management of enterprises. On the other hand, we recommended making Labor 2-04 statement more precise by shortening the period for processing this statement on the Inorgy computer because the tabulation produced by the computer is sent only after the period of analysis has elapsed and thus cannot be used for operative management. I think that similar checks in other sectors will likewise reveal some statements which can be discontinued.

L. Matejka: There are definitely big possibilities in every organization to reduce paper work in management. This is clear from the examples mentioned in this discussion. It is important to explore them and pay necessary attention to them in connection with the improvement of the management system and of methods of work in every VHL, enterprise and organization. Closely related to it is the more rational use of computers. It is a fact that thusfar computers have not been used effectively for the rationalization of administrative work. The possibilities and needs of automation must be taken into account when decrees and other regulations are written. The computer mercilessly reveals the shortcomings and problems which exist in the regulations from this standpoint and which frequently create almost insurmountable stumbling blocks to the effective use of computers. In connection with the implementation of the Set of Measures, enterprises, VHL and ministries have developed comprehensive programs for improvement of management this year. The measures designed to rationalize and cut down paper work in management, and to provide for more extensive use of computers should be incorporated in these comprehensive programs. The central agencies involved studied the problem of reducing the amount of paper work in the area of planning, financing, labor and wages, statistics and so on this year. On the basis of their conclusions, a program of measures will be developed for cutting down on paper work in individual areas of management. Unfortunately, I must say that the results achieved by this work have not been quite satisfactory so far and more detailed analyses are necessary to get at the roots of present excessive paper work in management.

H. Kobylkova: I would abolish, for example, statement Prum AZ 1b 12 which is sent to the okres statistical departments and contains virtually the same data as statement Prum 2-12. Although AZ 1b 12 also contains the breakdown of costs for calculation purposes, it would not be a problem to include it in statement Prum 2-12 which has some lines that are not currently used. Or another example: we send statement Prum RZ 1-12 to the okres statistical department. In my opinion, these two statements could be combined.

M. Laskoszova: I would abolish quite a few forms. We have, for example, some developmental or long-term assignments, but the progress reports must be submitted

at short intervals. In other words, the same data are copied again and again because there is no change between the short-term deadlines. It would be worthwhile also to do something about paper work connected with pledges. We send in many copies of personal pledges and then again collective pledges to the comrade who compiles them for the entire enterprise. Altogether it amounts to a terribly big pile, but the very idea of socialist competition is lost.

J. Kyncl: Analyses, in my opinion, should manifestly report only the deviations resulting in the worse implementation of tasks, and should not recount in what and how we succeeded in doing something. The text should not unnecessarily repeat the figures from the tables. If somebody insists that we must deal with every point, then of course we cannot be brief but, on the other hand, we are reproached for talkativeness. If much is wanted of something, then little is not enough.

L. Svoboda: I will give you a specific example. It concerns the calculation of aggregate consumption norms according to the uniform code of products and materials which is requested by the State Planning Commission obviously to make it possible for it to determine the limits of allocated raw materials in relation to production volume and performance. But, on the other hand, there is a decentralized coordination of balances carried out by the intermediate units of management which are responsible for the data on both resources and their use in individual balance sheets. When I analyzed this for the first time, I found that these figures could not be used by the center at all, because the changes between individual years, at least in our conditions, differ in terms of production structure to such an extent that the norm is unusable because it contains statistical data of the previous period. Moreover, how much time was spent on the preparation of all documents, how much paper was wasted in dealing with this problem! Form A3 has approximately 50 pages which list only 3-4 items each. This is superfluous and is caused, in my opinion, by a certain degree of mistrust in the above-described coordination.

J. Syblik: In the first place, I would somehow simplify the statement on wage regulation because I think that the center does not need so much data. In the second place, I would like to express my agreement with what has been said here by Comrade Kyncl. In addition to the analyses, brief reports are also submitted. In fact we thus have two analytical documents: one brief analysis and then a tremendously thick document. A brief report should, in my opinion suffice and the analysis should only refer to the failures to meet the planned goals, describe the reasons for them and the measures taken for the rectification of the situation.

[Question] Give us examples of how, even under the existing conditions, you are able to manage your organization more rationally than in the past.

[Answers]

J. Kyncl: Many years ago, when I took a job in the economic department of our plant, the department employed 69 people. There are 39 employees there today and perform much more work because the commodity turnover increased (not only in Koryvny) several times. Yet, the intensity of work did not increase and the results are of substantially higher quality. All this has been achieved because we have inexpensive Czechoslovak-made computers.

L. Svoboda: I think that a question so simply posed cannot be simply answered because rationalization must cover a wider field. I say so because we have already prepared a definite program for this area. In the first place, we are interested in the objectification of needs research where we encounter a number of problems now which are reflected in the production process and cause difficulties. Closely related to it is the coordination of customers' demands with the requirements of production efficiency. In the third place, is the increase in the quality of products through the entire system of quality controls. Another point is the increase in the standard of balancing demands with available resources, improvement of general techniques of balancing. Another goal is achieving desirable interlocking of all types of plans. I would like to say in this connection that we successfully tested the method of permanent planning which we have already been practicing for the fourth year. This represents a step forward. Likewise, we try to shorten the period of negotiations with the contractors, and of the development of production and sales plans in general. This is a rather urgent problem whose solution will represent a step forward. We are interested in even and continuous production. Finally, I would like to say a few words about the computers which are frequently installed primarily for handling of wage problems. But we say: This is a mistake, this is the end of the entire process. The computer must control production and wages in order to obtain the final result. In other words, computers must be installed and used for controlling production processes.

J. Syblik: I would like to draw attention to the area of rationalization of intra-enterprise management. For every construction project, we work out the production calculation which gives us an idea of how much the materials will cost, what the wages will amount to, what equipment will be needed, how much we will pay for it, what kinds of manual workers will be needed for construction. This production calculation is then projected into the operations plan, evaluated first on the basis of the production invoice and then, after the completion of the project, on the basis of the resulting calculation. Together with the production calculation, the construction project supervisor or foreman receives the wage limits which are used as the working sheets at the same time. He also receives the limits for material consumption which he uses for orders.

L. Matejka: The discussion has confirmed that in the implementation of the Set of Measures and in search for ways of fulfillment of the demanding tasks of the Seventh Five-Year Plan, the central organs and every economic organization must find how the entire management process may be rationalized. Where do the biggest possibilities exist?

--in the improvement and simplification of the management system and its organizational structure from top to bottom, in the rational division of decisionmaking jurisdiction between individual levels of management. In increasing management workers' efficiency, qualification and responsibility and more consistent application of the merit principle in remuneration;

--in wider use of computers, rationalization of the decisionmaking processes, simplification of individual administrative activities and abolition of those which are not indispensable;

--in simplification and more effective coordination of regulations and methodological and other rules, and rationalization of records;

--in the rationalization of the organizational arrangement of economic and budgetary organizations and elimination of superfluous intermediate units and duplication.

We have enough possibilities for rationalizing paper work. The point is to make use of them rapidly and consistently both for the rationalization of administrative work and for increasing efficiency of the entire system of management.

The 16th CPCZ Congress rightfully criticized the slow implementation of adopted measures designed to reduce and simplify administrative work. As of now, only partial results rather than a radical change have been achieved. Yet it is a political and economic task of great importance. The simplification of administrative work aims not only at the reduction of costs and labor force, but also at the strengthening of very urgent economic management and work with people in the workplaces. Judging from the progress in the implementation of these measures, we cannot speak of a quite responsible, committed and creative approach to these questions.

To reduce the excessive amount of paper work in management, the governments have adopted the entire complex of measures concerning all areas of administrative work. The central organs must play a decisive part in it. They must implement the assigned tasks with greater political responsibility, with appropriate knowledge of things and properly. Managers and supervisory personnel at lower levels of management must adopt the same attitude.

There are no reasons for and obstacles to the underestimation or delay in the implementation of tasks assigned to this area. Every member of management, every communist must feel direct responsibility for rationalization and greater efficiency of administrative work in the area under his supervision.

The communists-management workers in the center as well as at lower levels of management must without delay evaluate the progress in reducing the amount of paper work and adopt necessary measures for the rapid implementation of tasks set for this area accordingly.

Our party organizations must pay increased attention to the reduction of administrative paper work. They must intensify their control over the implementation of tasks in the simplification of administrative work, provide stimuli for its reduction in order to improve management of production and economic processes and to achieve the desired economic effect.

10501

CSO: 2400/82

STATE SECRETARY DISCUSSES ECONOMIC PROBLEMS

Budapest NEPSZABADSAG in Hungarian 25 Nov 81 p 10

[Interview with Janos Hoos, State Secretary, National Planning Office, by Katalin Borsanyi: "Adjusting to the New Conditions"]

[Text] This year, our national economy has been adversely affected by several external factors. In view of the complexity of the situation, the National Planning Office--departing from its practices of earlier years--has been making regular forecasts since the beginning of the year concerning prospective economic trends. Moreover, it began, as early as March, to formulate the main goals of next year's national economic plan, their in-process adjustment, and the development of central measures supporting those goals. We went to talk to Janos Hoos, State Secretary, National Planning Office, about some of the new aspects of their planning operations, the adaptability of our enterprises and about the world-economic tensions.

[Question] The Sixth Five-Year Plan is more open than the previous ones: the development of annual plans has made it possible to take into account world economic influences. This could also give our enterprises greater freedom of action. How much interest have our enterprises shown in these new planning methods, and to what extent have they been able to take advantage of them?

[Answer] The main indication of our plan's openness and flexibility is that it contains a built-in economic-political attitude which can adjust to possible--and, in the plan, unpredicted--changes in the conditions of economic development. It was partly for this reason, that some of our state decisions--i.e. those concerning major investments--have been specifically limited to cover only the first 2 years of the plan period. The rest will have to be made as we go along. Since our enterprises are planning independently, the openness of the national economic plan in itself is not sufficient to help our enterprises to adjust. The possibilities of adjustment, however, have increased due precisely to planning which takes into account the changes of the market. It is also important to point out, however, that the enterprises must also be able to flexibly respond to all changes which may occur in their own conditions.

Alternative Courses of Action

Right now, for example, they must face up to the fact that the conditions which have determined the economy this year will be even more severe next year. In order to offset any potential uncertainties, they are preparing alternative courses of action to meet all changes which might affect these conditions. This kind of open planning, which maintains several options, can be found at an increasing number of enterprises. A considerable number of them have been successful in applying modern methods of planning and analysis. These have produced more clearly defined technical concepts, an analytic examination of probable competitive efforts, real marketing work and a differentiation between strategic goals and "matters of calculation".

[Question] The problem, however, is that there are several points on which the national economic and the extended-term enterprise plans differ from, or are in direct conflict with one another. Can you tell us what these points are, and how the various differing views could be brought closer together?

[Answer] The basic vehicle for transmitting the requirements and goals of the national economic plan to the enterprises is the system of regulators; however, there are some important problems in which the enterprises directly affected also have to abide by certain binding state decisions. We have analyzed the extended-term plans of our enterprises according to a broader set of designs and efforts. It seems, that--at the time the plan was prepared--the production and marketing ideas that had been put forth, were in accordance with the goals of the national economic plan, both with respect to their direction and their proportions. While, however, they have called for increasingly greater investments and a larger work force, they have anticipated lower--although in the various branches of industry highly diverse--levels of exports. Consequently, their projected efficiency improvements have also fallen short of the targets laid down in the central plan. In order for economic guidance to be able to effectively stimulate and compel our enterprises to produce more efficiently, certain changes had to be made, first of all, concerning the degree of regulatory control. This, at the same time, is also the key to external and internal adaptability.

[Question] In many respects, therefore, this past year may also be viewed as a test of strength. What can you tell us about the initial experiences and about the adaptability of the enterprises?

[Answer] The Sixth Five-Year Plan has reconfirmed our commitment to the economic-political direction that has been in effect since 1979. The main goal of this policy has been to improve our economic balance and to preserve, as much as possible, our current standard of living. In this respect, therefore, this year's tasks have been closely connected with, and have been essentially a continuation of the 1979 and 1980 developments. The use of the term, test of strength, would be more appropriate for pointing out that the external political-economic conditions--thus, for example, the worsening of the international atmosphere, the prolonged recession in the capitalist countries and the difficulties which have hampered cooperation among the CEMA countries--have, unfortunately, not developed favorably for us. In spite of this, the condition of our economy's equilibrium has improved somewhat, and our goals with respect to the standard of living have been fulfilled. And this, I contend, in today's world is quite an accomplishment!

Unfavorable Experiences

In 1981, even if only to a limited extent, industrial efficiency has improved, and some progress has been made toward transforming the product structure and toward becoming more flexible in responding to market demands. While, however, overall our adaptability may have improved, we have also had some unfavorable experiences. Specifically, there have been a significant number of enterprises, which instead of striving for lasting improvements in their qualitative economic factors, have chosen to focus on those possibilities which yield short term results. Among these we could mention the unfounded raising of producer prices and the discontinuation of exports which, while not very profitable, are still economical. It is precisely these kinds of possibilities which our revised regulators aim to limit, while--keeping our intentions in mind--trying to encourage our enterprises to adhere more closely to our national economic goals.

[Question] Being able to rapidly and flexibly react to market changes is one of our most compelling tasks. At the same time, however, it appears that in most cases--and this is something which our enterprises have been complaining about--the results of adjustment only make themselves felt after two or three years of persistent work. And yet, their economic performance is evaluated every year, reaching conclusions which, precisely because of the fluctuating nature of market opportunities, may be misleading at times.

[Answer] The validity of this familiar complaint, in my opinion, lies primarily in that our system of evaluation is indeed somewhat out of date, and as a result we are not always able to use world market standards to measure the rate of our product-changes and the modernization of our production structure. Just how confidently can we declare a given family of products to be profitable or unprofitable is similarly open to debate. Short-term judgments, of course, may also be questioned by new phenomena. We have had to accept that even in our system it is possible for a branch of industry--precisely as a result of world-market conditions--to temporarily get into a difficult situation. This year, for example, some of our large-scale metallurgical enterprises have been forced to slow down their production. It is obvious, that the only way to get a feel for these problems is by viewing them in terms of broader processes. An additional problem is that our rapidly developing enterprises are finding it increasingly difficult to cope with work force reductions, while the stagnating ones are finding it increasingly harder to keep their workers fully employed within the scope of their respective operations.

We Must Concentrate on Production!

Of course, when faced with the dilemma of whether to make short- or long-term evaluations, our highest authorities--precisely because of their commitment to improving the economic balance--are, at times, also forced to take some involuntary steps. If we had larger reserves and a more competitive economy, perhaps we could free ourselves from the "bondage" of the annual-basis approach.

[Question] Our enterprises had prepared their extended-term plans by the middle of the year. As soon, however, as this work was completed, it became apparent that in view of the changes that have occurred in our foreign economic environment, but also due to our internal weaknesses, our system of regulators had to be revised, i.e. tightened.

[Answer] The 1980 revisions of our system of regulators have proven to be essentially correct, and the organizational changes introduced back then have not changed. As a result of the changes that have occurred in our economic processes, and in view of our enterprises' reactions, it has become necessary to revise our standards. In other words, last year, after the basic directions and means had been determined, we set up the machinery, and this year, having learned from its trial-run and from our experiences, we have "adjusted" it taking also into account the existing international conditions. This has been necessary, for our evaluations over the past year and a half have led us to believe that the original standards have been unable to ensure a parallel increase in national economic and enterprise revenues, and have failed to promote enterprise revenue-accumulations that would reflect performance. It must be stressed that one of the major reasons for this has been the fact that at the time these regulators were more favorable than those existing today. As a result of all these factors, enterprise profits have increased disproportionately faster than the revenues of the national economy.

This can be attributed partly to the fact that our regulations have not been very consistently strict; rather than aiming at the average--as our enterprises have tried to do--we have tailored our regulators to a group of low-efficiency activities. A clear indication of this is the fact that considering the actual revenue situation of the national economy, relatively few enterprises have had to face liquidity problems.

[Question] To what extent will next year's planning be affected by these changes? Will they not raise doubts as to the reality of our short- and long-term industrial-policy expectations?

[Answer] Since the decisions concerning the correction of the regulating elements had been made even before the detailed drafting of the 1982 enterprise plans was completed, future planning efforts can be pursued already with those decisions in mind; this can be further enhanced by disseminating information and by organizing consultations. These revisions, of course, are more like adjustments or readjustments of unfavorable courses of change that have resulted from the economic environment. If we take this into account, even our short-term industrial-policy goals for some necessary revising. If this is true, then--some intermittent contradictions notwithstanding--our regulators and short-term ideas can be brought into harmony. In the case of long-term ideas, the situation is different. In some enterprises, these ideas will have to be significantly revised. This may be done within the framework of our 1983-1985 planning work, and as part of our long-term planning.

[Question] What does our leadership expect from next year? What are the main tasks which our enterprises will have to focus on?

[Answer] Our primary goal for 1982 is to preserve and, as much as possible, to improve the economic balance, while at the same time preserving the population's standard of living. For we must keep in mind that the successes which we have had until now in trying to improve the foreign economic balance have been, for the most part, due to a reduction of domestic consumption, primarily

by way of restricting investments, and only to a considerably lesser extent than what we would need, to more efficient and better organized management by our enterprises. I believe--and our commitment to preserving the existing standard of living underlines this--that in the future we will have to concentrate more vigorously on the production sphere. This is what the correction of the system of regulators will help to promote. For if we had not raised the standard, it might have become a permanent practice to subsequently take away resources from the efficient and redistribute them to help keep the inefficient afloat. These tighter economic conditions--we expect--will lead to more distinct differentiations within the producing sphere. This--precisely in the interest of continued clear-sightedness--is absolutely necessary. If, however, we want to remain consistent in carrying it out, we must also be willing to deal with the tensions which all of this entails. The truth is, that these are still lesser tensions than the ones we would have to deal with if we refused to face the realities.

Tasks

The extent of economic growth is determined by the development of rubel-cleared imports and non-rubel-cleared exports. In order to increase our industrial production and the proportion of our profitable exports, a more modern product structure and a more self-starting and venturesome enterprise attitude will be required in all of our industrial organizations. In agriculture, too, we must take further steps toward making better use of our resources and toward adjusting our production structure to our natural potentials. In order to be able to produce more intensively than before, we will have to find more rational ways of utilizing the required means--machines, artificial fertilizers--and of improving our yields. Expanding our knowledge of the market, increasing our energy and material savings and continuing the development of our internal guidance and incentive systems, may prove to be decisive in both of the basic branches. We must continue to be flexible--precisely because of the uncertainties of the world market--in the way we handle our national economic plan. This does not lessen the role or the importance of the plan. On the contrary: it increases it, for the need to adjust to the changing circumstances is going to be increasingly greater, and only the plan can provide a truly appropriate basis and direction for making that adjustment. To ensure this, a constant eye must be kept on the way the plan is implemented, and in those cases where the real processes differ from our main goals, immediate action must be taken to carry out the necessary revisions. This also requires thorough analysis and a long-term forecast and outlook.

9379

CSO: 2500/58

NATIONAL BANK REPORTS ON DOMESTIC FINANCES

Budapest FIGYELO in Hungarian 18 Nov 81 p 9

[Bulletin of the Hungarian National Bank: "Financial Situation Better Balanced"]

[Text] The profits of enterprises and cooperatives were higher than had been expected, particularly in the first half of the year. This created a financial situation better balanced than last year. The economic units' liquidity improved overall, and their payments discipline is satisfactory. However, the finances of certain branches and enterprises--particularly of the ones more sensitive to foreign-market effects (metallurgy, engineering, etc.)--did not develop quite smoothly also in the third quarter. In comparison with last year, the end-of-month net balance of the enterprises and cooperatives' accounts with the Hungarian National Bank rose more slowly in recent months (by 7 to 18 percent) than in the first half of the year. On the other hand, total circulating-capital credits outstanding on 30 September were only 1 percent higher than for the same period last year.

On the investment market the balance of supply and demand in January through September improved somewhat in comparison with last year. The self-financing ability of the enterprises and cooperatives broadened in many areas. Furthermore, demand for investment credit increased, mostly for capacity expansion to produce commodities that can be exported for convertible currency. When approving new credit applications, and also in advancing the schedule of repayment, the bank took into consideration the requirements of maintaining purchasing power within reasonable limits.

Circulating-Capital Credit

Commodity-money relations between enterprises and cooperatives were more lively and even than during the first three quarters of 1980. Improvement is noticeable also in meeting obligations toward the bank. As a result of stepped-up repayments, the rise in total circulating-capital credits outstanding was more moderate than last year, and both the drawing and repayment of credit resources conformed more closely to the plan. The bank organs strived to exert influence on reducing surplus inventories and on developing inventories of suitable composition, while aiding procurement essential to more efficient management. The economic organizations financed from their own resources a larger proportion of the permanent and temporary increases in inventories than in the past. However, the role of short-term credits increased in financing accounts receivable and other assets.

The combined total of the applications for circulating-capital credit that the bank received during the first nine months was nearly 2 percent higher than a year ago.

The credit applications were prepared more carefully and were suitably substantiated economically. Consequently, the proportion of rejected credit applications dropped from 8 percent last year to 7 percent this year.

The 304 billion forints of approved credit was 3 percent more than a year ago; 88 percent represented new credits, and 12 percent represented renewals of existing credit relations. New credits declined in industry, but rose in agriculture, the food industry, and in the branches of circulation. Within the total credits approved, however, the shares of the individual branches did not change significantly from last year: industry accounted for 36 percent; agriculture and the food industry, for 33 percent; the branches of circulation, for 19 percent; the construction industry, for 10 percent; and other branches, for 2 percent.

Within the total credits approved from January through September, 97 percent was short-term credit, and merely 2 percent was intermediate-term credit to advance circulating capital, and 1 percent was so-called special credit.

This year about 60 percent of the short-term credits directly aided the material processes (procurement of materials and supplies, production in process, etc.). The demand for credits to advance profit earned during the year and to bridge cash-flow problems was smaller than last year (by 18 percent jointly). However, the need to finance receivables from export to capitalist countries rose.

The average term of short-term ad hoc credits was 6.4 months, about 10 percentage points longer than last year, but experience shows that repayments conformed more closely to this average term.

The drawing and repayment of circulating-capital credit in the first three quarters of 1981 were more lively than in the same period last year. Since borrowing exceeded repayment also this year, the combined total of circulating-capital credits outstanding was 13 percent higher than on 1 January (as compared with 23 percent last year). Within this the rate of borrowing declined in comparison with last year in the productive branches (because more own resources were available) but rose in the branches of circulation. Credit had to be rescheduled, or transferred to accounts on which punitive interest rates were charged, less frequently than last year, and the totals of such credits were considerably smaller.

Investment Credit

The total of offers that the bank received during the first nine months from state enterprises and farms to conclude investment-credit contracts exceeded 24 billion forints and was substantially more than last year. Nearly 60 percent of these investment credits aided the expansion of export capacity or the substitution of non-ruble-denominated import.

The approved investment credits totaled nearly 19 billion forints, in the following breakdown: industry, 70 percent; the state sector of agriculture, 11 percent; other investment-credit needs, 19 percent. The balance of investment credits still to be drawn in 1981 is 9.4 billion forints.

The agricultural cooperatives' applications for investment credits exceeded 9 billion forints, and the 4.4 billion forints of approved applications is about twice

the total last year. Most of these credits will make possible investments that directly or indirectly expand export, and their relatively short payback periods will help to restore equilibrium.

The average term of the investment credits approved in the first three quarters of 1981 is somewhat longer than a year ago: 94 months as compared with 92 last year. The terms are shorter than average in agriculture, and in transport and communications. The profit pledged per 100 forints of investment exceeded the prescribed minimum in every branch and averaged 21 forints, nearly 3 forints more than last year. The pledged profitability is more favorable in industry. However, the share of own resources is 15 percent of the investment costs, lower than last year.

The unalterably high total of pending investment-credit applications at the end of September reflects the development efforts of industrial enterprises, farms and co-operatives.

On 30 September, the enterprises and cooperatives' total investment credits outstanding was 3 percent higher than a year ago, but 5 percent lower than on 1 January. Of the total investment credits pledged for 1981, 47 percent was drawn by the end of September; and 81 percent of the repayments due in 1981 had been received.

Population's Money Income and Purchases

As the money supply accelerated during the year and the velocity of money remained high, the population's money income in comparison with the previous year developed more favorably than had been expected. A role in this was played also by a more moderate increase of consumer prices than had been planned originally.

The population's money income during the first three quarters rose 7 percent in comparison with the same period a year ago. Money wages (not including the wages of cooperative-farm employees) increased 4.6 percent; and other personal income, by more than 6 percent, due to larger premiums and bonuses than last year. On the basis of their wage reserves and attained profits, the enterprises and cooperatives raised their wage levels by more than had been planned. The relationship between performances and wages in industry improved in comparison with last year, but the desired ratios were not attained.

Within the population's income from farming, payments to cooperative-farm members increased nearly 7 percent. The wages of employees rose at an even faster rate (due to the work backlog from last year, to the progress in autumn farm chores, and to the expansion of auxiliary activities). The population's income from the sale of produce increased likewise by about 7 percent, predominantly as a result of higher state-purchasing prices for livestock this year. However, the quantity of livestock purchased was lower than last year. On the other hand, the volume of fruit and vegetables purchased rose, even at declining prices.

Transfer payments jointly rose by nearly 8 percent during the first three quarters of 1981 as compared with the same period of 1980. This is related, among other things, to raising the lower limit of pension increases from 70 to 100 forints, to an increase in the number of retired persons, and to higher average pensions.

Retail sales during the first 9 months increased by about 10 percent over last year's level that was already high as a result of substantial increases in consumer prices. Of every 100 forints of income, the population spent 83 forints on purchases, 2 forints more than a year ago. The savings rate was 2.70 forints per 100 forints of income, double last year's rate.

1014

CSO: 2500/78

PROFESSOR VIEWS TECHNICAL DEVELOPMENT IN AGROBIOLOGY, CHEMISTRY

Budapest EMEZESI IPAR in Hungarian No 10, 81 pp 361-364

[Article by Academician Janos Hollo, Department of Agrochemistry of Budapest Polytechnical University: "An Observation on the Report of Tibor Vamos, Member of the MTI (Hungarian Academy of Sciences), Titled 'Our Homeland and Technical Progress'"]

[Text] The general assembly of the MTI this year, when it chose the theme "Our Homeland and Technical Progress" as the central presentation, gave the unambiguous answer that technical sciences and technology itself are organic parts of the life of the academy, thus refuting the separation of the two cultures, technical culture and the humanities. Everyone recognizes that we owe our prosperity to the achievements of technology and yet the scientist of the end of the 20th century stands in a schizophrenic relationship to the technical sciences; he feels their importance and significance only if his customary ease is for some reason lacking or if the problems of industry--thus of the economy--have a "ripple effect" on his life via the daily papers or budgetary constraints.

In his report, Tibor Vamos outlined the chief problems of our technical life in a witty way, illuminating many original points of view--naturally, to a crucial extent, from his own perspective of computer technology. He who is well informed can work truly well. This might stand as a second slogan, following the motto of Agricola, behind the introductory words of Tibor Vamos. This is true in every area but it is especially true of technical life, which is so sensitive to new ideas and achievements, to innovation.

The price of equipment and tools connected with the transmission and processing of information is going down while their capacity is increasing by leaps and bounds. Technical development is also organic; thus a given developmental level is necessary for the actual use of the information transmitted. If this exists, then we have nothing else to do but link in to the international information, documentation data service system and say, "Open Sesame!" But 40 or more thieves are lying in wait for the contemporary Hungarian Ali Baba, thieves who want a share in the treasure!

The second group of phenomena mentioned by Tibor Vámos--energy, raw materials and markets--appear as constraints and warn us that we must step up our technical preparedness and, it appears, we do not have a slogan for this of a strength similar to the former! Intensification (of what?), quality (of what?), competitiveness (where?) and the speed with which new technologies are implemented (when?) are not enough to open the "cave" of a renewal of the economic structure.

Competitiveness or lack thereof is not only a question of technical level, however, just as the market (the world market) cannot be filled all at once and everywhere with goods of uniform "quality" nor can anyone always expect to return home with the best goods! The conduct of our selective industrial development policy always conceals the promise that we have things to seek in the world (markets and countervalue for goods).

What can we do? What can we not do? In any case, let us not condemn monoculture! There is a monoculture in our homeland also--we are producing grain or corn on half of our 5.5 million hectares of cultivatable plow land and even today we can sell this rather well in general, frequently without regard to quality.

An artisan industry based on international cooperation is an interesting idea. An astute "maszek" [private-sector business] can make a profit here too, usually in a symbiosis with large state enterprises. There is a similar situation in the household plot activity of Hungarian agriculture. Here also there is flexibility, ingenuity and an orientation toward exchange. One can mention as examples not only the Beckmann and Merck instrument and chemicals manufacturing firms but also the entire pharmaceutical industry of Denmark, which occupies a leading place in international pharmaceuticals trade and which, in addition to playing a significant role in developing and introducing medicines based on new molecules, has insulin making up nearly one-third and vitamins making up another 21 percent of its pharmaceuticals exports. One might also mention here the Swedish Pharmacia which developed molecular filters and occupies virtually a monopoly position in this area. These examples prove that these countries or firms work and do research not in general but rather very concretely in order to hold their leading positions. A small country like Hungary should show similar "delicacy" but our economy as a whole, including the astute "maszeks" and household plot farms, is unfortunately not yet flexible enough in realizing original ideas and inventions. Indeed!

I also, who stand closer to the producing sphere, must give an answer, going beyond generalities, to the question of what we should do. Among the many possibilities, I would like to supplement the report in regard to the role of biology. Even Tibor Vámos noted that biology, in addition to electronics, is characteristic of the technological progress of our age. So it might be interesting to point out here the role of biology in expanding the raw materials and products of the chemical and foodstuffs industry and the technical culture of agriculture.

It is now fashionable to mention the biomass produced by photosynthesis as a renewable raw material source. Even in developed agricultural systems, the production of dry material by photosynthesis, as compared to active radiation,

reaches an efficiency of only 1-2 percent. Even so, the academy committee surveying our agroecological potential has established that 93 million tons of vegetable dry material are generated on the area of our homeland each year, which is more than our total production of coal, oil, iron ore, crude iron, crude and rolled steel, bauxite, cement and baked bricks. On the basis of our natural conditions, it should be possible to increase our renewable vegetable production by 80 percent by the end of the century. This means that the area which now provides domestic food production and primary materials for a few branches of industry (the fiber, paper and furniture industries) can be reduced from the present 75 percent to 50 percent. Thus we can produce for export from about half of the area of the country; or can prepare for activities which will take the place of imports.

Thus the agricultural exploitation of the spectacular achievements of genetic research will be very important--primarily the recombinant hybridization of species far removed from one another. This can not only increase the quantity of production but can also increase resistance and other useful properties and can achieve better utilization of the biological binding of atmospheric nitrogen in the place of the artificial nitrogen fertilizers which require so much energy. In addition, we must continue to follow the achievements of genetics research being conducted with classical methods and these must be adopted immediately, as we have done in the case of hybrid corn, rape free of erucic acid, broiler chickens and crossbreeds of cattle, among others. If one asks what plants or types of plants should be grown per unit area to produce the greatest biomass, the most sugar, the most carbohydrate or protein which can be extracted economically then we should certainly reexamine not only the plants already cultivated but also those growing in the wild because today the plants being grown in largest quantities and most extensively and with the best results are those which are not native to the area--with the exception of rice.

The task of agriculture is again different if the goal is processing by the food industry. In the future as well, food industry production will be a crucial factor for our economy and well-being because this does not involve fashionable articles and demand is probable over the long run, too. At the same time, our foodstuffs may belong to the front rank of the world, which cannot be said with the same certainty of the most of our technological products.

In regard to the development of our foodstuffs industry, we must reckon with the following external factors: foodstuffs laws or constant restrictions on imports, and state supports and intervention in the prices of agricultural articles in the economically developed countries; and the fact that the developing countries are increasingly becoming exporters not of primary materials but rather of very high-level finished products. We must take into consideration the scientific influence on the eating habits of the consumer society and changes in the population structure--more small families and an increasing number of pensioners and people living alone. The development in technological processes will be great also--automation, use of microprocessors and broad use of systems analysis and food science principles--because up to now foodstuffs production has been based on tradition and empirical rather than scientific principles.

What sort of tasks do we have in this area?

Compared to the developed countries, there is backwardness in our homeland in all those areas which come after agricultural production--warehousing and processing in the foodstuffs economy and not least of all the fact that the role of the food industry has not been given the weight it deserves, which would be necessary on the basis of the agricultural achievements and possibilities. According to an American study, total energy use by the foodstuffs chain in the United States is of the same order of magnitude as the energy needs for personal automobiles or consumption of heating energy by the populace--13-16 percent. Of this, use by agriculture itself is only 3 percent--similar to other developed countries. In contrast to this, 7.5 percent of all Hungarian energy use goes to agriculture and forestry and only 4.5 percent goes to the food industry. A consumer society makes demands in variety, packaging, hygiene and elimination of seasonal factors, all of which are energy demanding. So putting an end to the backwardness of our food industry will be a significant task of we are to satisfy the demands of the 21st century.

If we are to remain competitive, we must better recognize many scientific questions, because due to the complex properties of most foodstuffs it is difficult to discover the interdependencies between the quality of agricultural products, processing and the properties of the finished goods. In contrast to the chemical industry, it is more difficult to discover the operational interdependencies defining a process because in this case we are usually working with systems made up of solids or pastes, having many components of changing composition, and not with ideal systems. It would be useful to think of introducing new processes too, processes previously held to be uneconomical, such as ultrafiltering, reverse osmosis, multiple-stage evaporation for different purposes, drying, freeze concentration, immobilized enzymes and--last but not least--new packaging tools, in which our backwardness is greatest. In many cases, it would be useful to bring certain phases of the manufacturing process close to the place of production, but from the viewpoint of quality the strictest adherence to all technological parameters and hygiene is traditionally fundamental here also.

The marketing of the wastes and byproducts of agriculture, the large animal-raising operations and the foodstuffs industry is an important technical developmental goal. Every year 100,000 tons of wood industry wastes, 1 million tons of forestry wastes and 10 million tons of agricultural wastes are generated in our homeland. Use as fodder is the first thing to consider as a way of using them. The other great possibility is restoring the strength of the soil--as compost or organic fertilizer. In some cases, one might consider the manufacture of biogas, when energy is generated together with fodder or manure, but the economicalness of this must be examined closely because the process is very sensitive to the composition of the dry material, and especially to temperature control, and environmental effects cannot be ignored.

In addition to direct use of biomass to produce heat, we can read very much these days about its use as a chemical industry material or motor fuel. Here also we expect modern genetics to provide a solution to the key question--cellulose decomposition with the aid of micro-organisms. The substrate problem of the fermentation industry can be solved reassuringly and finally only in this way also.

Until we have large-scale enzyme decomposition of cellulose we cannot ignore fermentative processing of plants containing sugar or starch, to which they have turned already in Brazil with sugar cane and in the United States with grains and sorghum. It is primarily corn which could be interesting for us; in addition to starch, its other components can be sold on the world market more favorably than unprocessed corn. This fact, among others, ensures the economicalness of the plant now being started in Szabadegyhaza to produce liquid sugar and alcohol.

Less than 1 million tons of corn could produce the alcohol needed for a 20 percent gasoline replacement corresponding to the pre-war gasohol, which corresponds to about 12 percent of the quantity now produced; and we can count on this amount as the increment in the next five-year plan. So the production of motor fuel from biomass is not illusory for us either, especially if we consider that even now there is not much difference between the world market price of gasoline and the present domestic producers price of alcohol.

It is well known that, in addition to its use as a solvent and reagent, alcohol can serve as an initial material for many purposes in the synthetic chemical industry. Many believe in the pyrolysis of biomass, which means a decomposition taking place as a result of heat in an oxygen-free or oxygen-poor medium. Here it is enough for us to watch the broad research taking place throughout the world, but we must be ready for quick exploitation of results. It is not by chance that the English journal *ECONOMIST* wrote last year that the age of petrochemistry had ended in the chemical industry and the age of biotechnology was arriving.

Finally, let me say a few words about the problem which Tibor Vamos raised in regard to increasing creativity.

The general assembly of the METE, the Hungarian Food Industry Scientific Association, was held 2 weeks ago. Let me quote a few statements from the report of the presidium:

"A representative study shows that the average monthly earnings of engineers not in leading positions come to 101 percent of the earnings of skilled workers. There are not sufficient replacements for technical jobs demanding maturity, responsibility and professional experience and good experts are lacking in a number of areas. In addition to all this, some of our engineers still feel that they are not being employed in accordance with their training."

Going beyond a recognition of the permanence of training, further training and retraining, a lifetime of self-renewal, the methodology of our education is also problematic. The school-like methods must be ended in the universities. We lecture the students on our own subjects with strictly fixed content, and the students master this and are tested on it. We are careful not to leave out anything which we feel is necessary--not thinking about that fantastic development which the future engineers must keep up with in the course of their creative lives. We rarely give them time, the free time to think about what has been said, and they rarely receive tasks which would synthesize what has been learned. But life consists of complex problems and the recognition of interdependencies; the need and readiness to renew and use information is frequently more important

than the concrete information. In general, bad engineers are not bad engineers because they know too little but rather because they use incorrect methods in approaching and solving engineering problems. So if we want to radically improve our training of engineers we must sift through most carefully the quantity of material to be presented and must work out with the greatest care and love, with empathy, a way to master and constructively apply the material thus reduced to a minimum.

The other problem is that our students do not become aware of the real technology, of life, at the university. We demonstrate a technology abstracted from inconvenient reality, one which can be depicted with simple formulas in shining glass equipment, and they take this cosmetic picture, reduced to two dimensions, with them into the throbbing, problematic, three-dimensional reality.

I read in an issue of the journal VALOSAG last year that the linking of education to practice was unsolved--with the exception of the study system of the medical universities based on clinics. The article cited an unpublished study by Laszlo Nemeth: "Occupations are the best teachers; the kitchen teaches the apprentice more than the cook does, the violin teaches one with talent more than his master does. There is no kitchen or violin at the university. They have cooks and music teachers. The lecture hides the occupation from the student."

In the rarest case, we illuminate for our students the development of some speciality, its economic problems and international trends, so that they can prepare for their future tasks not only as experts but as citizens and leaders, so that they can interpret the social and economic interdependencies correctly. This is why there is a debate in many Western technical universities about introducing a "studium generale." From such a viewpoint we could be in a much more advantageous situation because the various social science subjects follow our students throughout their studies. We should try to change these, try to make them tools to educate leaders, to educate citizens with broad horizons rather than having them be subjects which have to be passed! We should strengthen the positive attempts to renew these subjects, for example, the decision to reintroduce sociology at the Polytechnical University. We should try to introduce the future engineers, even while at the university, to the joy and beauty of creative work. Without this they may become good experts, but they will never be real engineers who know how to guide processes. In this way, the young expert entering life will seek suitable tasks and not resign himself to mediocrity and tepid idleness. In this way, the university might draw people to industry. But industrial leadership also should create a situation where expertise and ability can realize themselves because of the demands of the market!

It is nearly half a millenium since Machiavelli explained, in his famous work "The Prince," the difference between "fortuna" and "virtu." One half of human action is guided by chance, in the other half, one guides himself deliberately. If our engineers are creative--and we must do everything to see that they are--then we have a hope of changing this balance!

8984

CSO: 2500/65

ALTERNATIVE FUTURES FOR GRAIN PRODUCTION WEIGHED

Budapest FIGYELO in Hungarian 25 Nov 81 p 13

[Article by Dr Eva Borszeki and Margit Janky: "Prospects for Grain Production"]

[Text] An economical further development of grain production is justified by the need to produce exportable goods but not even the development of the production of animal products cannot be realized without a secure domestic base of fodder grain. When outlining the directions of development to be expected, one must reckon with the fact that in the years ahead we must produce developmental conditions for the branch whose level will stand closest, among our agricultural branches, to the international front rank.

Grain occupies 60-64 percent of plow land. Of this, wheat and corn account for 87 percent of the planted area and 92 percent of the yield.

Grain production developed dynamically in the past 5 years. Despite a 7 percent decrease in sown area, as compared to the Fourth Five-Year Plan, the quantity of production increased 10 percent. The results achieved in production by the two chief branches--wheat and corn--are especially significant. The spread of intensive wheat types and highly productive corn hybrids, the swift increase in artificial fertilizer use, the complex mechanization of production and the relatively favorable development of economic conditions for grain production all contributed to this. For example, between 1961 and 1965 average domestic wheat yields reached 80 percent of the European average but in 1978 they reached 119 percent. Last year they exceeded the average for the states of the Common Market by 7 percent.

Although grain production provides a significant part of the profit of the large farms engaged in agricultural activity, there are considerable differences between the profitability of the various types of grain. Between 1971 and 1980, the cost of wheat production rose 130 percent on producer cooperatives and rose 63 percent on state farms, from a substantially higher cost base. The cost increase in this same period for corn was 137 percent on producer cooperatives and 88 percent on state farms.

Thus, economical wheat production required average yields more than 2-3 tons per hectare and economical corn production required average yields more than 3.5-4 tons per hectare. The price increases in 1979-1981 increased the cost

of producing corn, which is more demanding of industrial materials and energy, more than they did for wheat. State purchasing prices were increased by almost the same extent and this further increased the difference in the profitability of the two branches.

The ratio of human consumption within grain use decreases year by year. In 1960, this came to 80 percent of all production; it came to 60 percent in 1970 but hardly came to 30 percent in 1980. The crucial part of grain production--more than 60 percent--is used in animal husbandry.

Up to 1972, foreign trade in wheat and corn was characterized in general by imports. An export surplus developed from 1973 on. In the past 5 years--in addition to satisfying domestic needs--we exported a total of more than 3 million tons of wheat and 1.3 million tons of corn. Average annual grain export for the plan period approached 1 million tons.

In the period between 1976 and 1980, the economic effectiveness of exports of edible wheat was very favorable. According to calculations the "import" content of exported wheat is around 16 percent while that for corn is about 24 percent. Taking this into consideration and taking into consideration the more favorable world market price for wheat, the net foreign-exchange profit deriving from a hectare of wheat has been more than that for corn in recent years--despite the higher average yield for corn.

But conditions for storage of and trade in grains have lagged behind the development of production in both quantity and technical level. In the past plan period, the storage capacity of agricultural operations and the grain industry combined increased 11 percent as compared to a 28 percent increase in storage needs. Thus the shortage of storage space increased in both the absolute and relative sense. In 1980 it reached only 20 percent of the peak storage reserve.

Although more than half of the new storage space created in the Fifth Five-Year Plan was of the silo type (reinforced concrete and metal silos), almost 60 percent of total storage capacity is still made up of floored warehouses which require much live work.

The increased tasks of the foodstuffs and fodder industry were accompanied by an increase in the amount of transportation work. Almost three-quarters of the transportation is done with highway vehicles.

Energy conservation and a reduction in costs would both justify putting into effect the cheaper rail and water transportation for the bulky grain shipments. But this would make necessary the construction of loading stations and the creation of a special grain-transport vehicle park.

Domestic cereal consumption will probably decrease to a lesser extent than heretofore. But as a result of the great increase in the consumption of baker's wares and fine baked goods within baking industry products, the need for fine flours will increase, which the milling industry can ensure only from a larger amount of wheat of baking industry quality, perhaps with decreasing flour exports. Thus the domestic need for edible wheat may increase even with the same level of flour use.

Fodder needs may vary as a function of the development of meat production for export.

According to the plans, the grain industry was to increase primarily the production of concentrates and the large agricultural operations were to increase the production of supplements by making use of concentrates. But this division of labor was not realized in the past plan period--primarily for reasons of interest.

The increase in the production of concentrates by industry will be necessary over the long run, only to a lesser degree than originally thought. In the future, one can expect a further increase in the ratio of mixed feeds within total fodder demand, and in the years after 1985 this could reach 75-85 percent.

Over the long run as well, Hungarian grain can probably count on a demand market, primarily due to the quickly growing grain needs of the socialist countries which cannot be perfectly satisfied from their national production. In regard to export to other markets, it may be able to count only on bread grain of meliorating quality. Meliorating wheat can be sold at a price 25 percent higher than that of mill wheat and at a price 50 percent higher than that of durum wheat, but the yields are lower by 5-25 percent.

Two alternatives can be imagined for the development of grain production over the long run, presuming that total production will approach 20 million tons:

--an increase in yields at a rate more moderate than heretofore, with a moderate decrease in area, or

--more intensive production on an area which is decreasing to a greater extent.

The development of grain or meat exports is possible within both versions. In the case of a development oriented toward meat exports, the amount of grain being exported would be less by about 60 percent and the total foreign-exchange income of grain exports would be less by 55-60 percent, but the foreign-exchange income per unit area could increase by 8-13 percent--because of the change in the composition of the grain being exported--as compared to the version oriented toward grain exports. The ratio of wheat and corn one to another will depend on the demand and expenditures structure at the time (for example, a reduction in energy requirements).

8984

CSO: 2500/64

CRITICAL INTERVIEW ON ECONOMIC REFORM PUBLISHED

Warsaw ZYCIE WARSZAWY in Polish 5-6 Dec 81 pp 1, 6

[Interview with Professor Zdzislaw Sadowski, deputy government plenipotentiary for economic reform, by Henryk Sadowski; date and place not given]

[Text] [Question] Professor, you were happy with the reputation of being a liberal, an adherent of deep economic reform until you assumed a government position. Now, sir, you have acquired a new title: brakeman. The general outline of principles for operating enterprises in 1982, which was worked out by a team which you, sir, headed, has been publicly proclaimed as a curb on reform.

[Answer] The social atmosphere surrounding the principles for operating enterprises in 1982 is really bad. Some people have purposely created a negative atmosphere toward these principles, by charging that they supposedly do not establish incentives for enterprises for growth in production and export. I think that such a charge is based on a false reading of those principles or a disregard for certain facts. However, facts, not fictions, are to be considered here.

[Question] How is it, sir, that you can characterize the intention of these principles as facts rather than just declarations?

[Answer] I would like it clearly emphasized that their intention and purpose is the beginning of a process of deep reform--I stress this strongly--the start of a completely new mechanism of management the likes of which we have never known. Many people fear it. Others don't want it, and they disguise their own disinclination in the form of criticism, often aimed at sins not committed.

[Question] What then do the main purposes of these provisions for 1982 really boil down to in practice?

[Answer] In the first place, they are meant to begin setting up a new mechanism consistent with reform, thus basing the operation of enterprises on principles of independence, self-government and self-financing. In the second place, they are meant to deal comprehensively with our country's current, dramatic situation and all the constraints ensuing from it.

[Question] Don't these constraints, however, result in a lack of stimulus in the whole plan for competent and decisive action, so that a crisis can be averted?

[Answer] In my opinion, the principal question is the incentive for rapid and noticeable growth in production and export. For this is the key to solving our difficulties. Like incentive for better work, in general. However, I do not see any substance to those charges which assert that we are slowing down the increase in wages too much, and, in the same breath, assert that we are creating too few safeguards against imminent rampant inflation. You have to realize that one of the major threats connected with introducing market mechanisms is the possibility of unleashing uncontrollable inflation. Instruments that slow down an excessive increase in prices and wages may be the only safeguard against this happening.

[Question] An economic mechanism is not art for art's sake. Does this conception which has been introduced serve a definite economic policy, and if so, what kind?

[Answer] Here, sir, you have called attention to a fundamental question. Systems-type designs of the new mechanism must be examined in a precise relationship to the concept of economic policy as quickly as possible. I would outline, in the most abbreviated form, the features of this policy in the following manner: First, in conditions of shortages in raw materials, the bringing about of growth in production and technical improvement in the consumption of limited material supplies. Second, effecting as quickly as possible a decided increase in exports, since only by this means can our payments situation be improved and the possibility for import supplies be created, thus setting in motion inactive potential. In addition, we want to achieve all of this without allowing uncontrolled increases in prices and wages to run rampant. And, furthermore, social goals must be realized at the same time; for example, ensuring that we maintain and even improve the conditions of life for people at the lowest rung of the social ladder. In all of this, we also want to curb a series of negative phenomena such as the growth of speculators' incomes or the excessive spreading of those incomes which are at variance with social equity. It is just this kind of thing that necessitates evaluating the applied systems-type designs.

[Question] These economic policy goals, in general, will not cause any controversy. Diversities of opinion, above all, have to do with the methods of attaining these goals.

[Answer] I am convinced that even in regard to methods there do not exist such profound differences as appear on the surface. I represent the view that whoever would be called on to solve these problems would confront exactly these same conditions and would have to act in a similar fashion. In large measure, this substantiates the thesis of a certain independence in the set of economic problems in relation to political ones.

[Question] Where then are these differences of opinion coming from?

[Answer] To a significant degree, they are not real differences. For example, I cannot acknowledge those differences of opinion voiced by some critics of our solutions to the problem of the distribution system as real differences. For these same critics when they begin to formulate concrete propositions also propose a distribution system in a period of transition. They are really only concerned about who is going to come forth with such a proposal. I have seen such purported charges on this subject in an article by Prof J. Goscinski in ZYCIA WARSZAWA [Warsaw Life], as well as in the so-called proposals of the "10"--"On the Threshold of Reform." I won't polemicize about these proposals, for they have no place here. What is important is that in the part in which there are concrete proposals--they are not really any different from those principles for operating enterprises in 1982 that have been criticized; and these proposals undertake the same kind of solutions--for instance, the introduction of a distribution system.

[Question] What is your opinion, sir, on the causes of this avalanche of criticism?

[Answer] I believe that this has to do with the adverse atmosphere which has been created toward the application of new economic mechanisms; and what's behind this, I just don't know.

[Question] However, let's return to the main charge that these new principles restrict the enterprises' field of action, especially in the area of finances, so much so that no incentive is created for thrift, thus deterring the implementation of the proposed goals.

[Answer] The point of the matter is that even after years of restrictions, directives and orders, enterprises are finally gaining ground in their independent activity as a result of the abolition of all planned directive-type tasks, while the application of economic mechanisms has been creating pressure for growth in production and productivity. It is mainly economic instruments, such as, for example, the principles for the formation of prices, salaries and a tax system that have served as a stimulus for thrift and initiative. In the field of foreign trade, one needs to add to these instruments for incentives the principle of granting concessions to enterprises for directly concluding agreements with foreign contractors, as well as the principle of the so-called foreign-exchange allowances or absolute powers of all exporters, without exception, to keep at their disposal some of the acquired outflow of foreign-exchange.

[Question] Let's return, however, to the charge of a lack of sufficient incentives. Are financial regulations so constructed that what little of it the enterprises economically manage will be left to their disposal? Whereas, in practice, it is the 3 "S" [abbreviation of this group] that exercises control over the actual implementation of these principles.

[Answer] This is, in point of fact, the main controversial element in the discussions with enterprises, and it is these discussions which I consider to be the most authoritative. In particular, there exist fears about excessive burdens with a progressive tax on the increase in the average wage. Misunderstandings have decidedly increased the fears expressed on this subject in the enterprises.

In the solutions that have been accepted, a firm principle has been followed which states that these tax burdens do not affect any payments determining compensations for the increase in maintenance costs. Therefore, in practice, tax burdens do not affect the increase in real wages. Since the entire inflationary pressure in our country comes from an increase in wages, we must, for the sake of protecting us from inflation, apply necessary safeguards. I think that anybody will understand this who has even a little goodwill. For these tax burdens can only be feared by those who do not understand this mechanism. Therefore, the choice is up to the staff, its self-governing body--whether the pressure for increased wages is worthwhile, or whether the increase in profit sharing is too.

[Question] Will this profit, however, be restricted by other taxes?

[Answer] Incentives for growth of profit are, after all, diverse, and, of course, they are the source of finance and expenditures involved in the development of an enterprise. If, on the other hand, it is a question of a progressive tax, then the progression will begin from a level of profitability that exceeds 5 percent. The progressive character of taxing profits is very often misread. Some people think that these high progressive rates relate to the entire economically managed profit, while they only affect the highest scales of profitability. A growth in profit up to 3 percent, generally, is not taxed. The application of a more vigorous progression of rates to high scales of profitability results from the fact that such high profitability in 1982 can be attained, in practice, solely through increased prices. And as a society we are not interested in increasing profits by this means. On the other hand, under the conditions we are in, the lowering of costs cannot produce as much of an increase in profits as progressive taxing could.

[Question] Sir, let's return once more to the question you mentioned about eliminating all directives in the plan. For the present, charges are being made that the directive-type system, though in another form, are prevailing.

[Answer] An enterprise does not receive directive-type tasks. This means that we have broken away from the usual practice, employed until just recently, of allotting tasks in the national plan for ministries and enterprises. The self-governing enterprise itself works out the plan and is its own instrument in aiding its own operations. An enterprise may receive a task only in those exceptional cases that are not provided for by the law governing enterprises. In this respect, nothing has been changed. There has been no departure from the principles of reform.

[Question] However, can't the distribution of raw material fulfill this same role?

[Answer] I have already stated once in the columns of ZYCIE that, in conditions of material shortages and with a need for complying with socially recognized priorities, no one could come up with a better idea than the distribution system. Even Prof Goscinski has not come up with another idea. Though he states that it would be better to abandon the distribution system, nevertheless he himself proposes it. Under present conditions in a transitional period, a distribution

system of limited scope must exist. The point is that this should not cause a return to the methods of a directive-type system. Some fears of critics result from a list of products included in the central balance. This is, however, another misunderstanding, inasmuch as the character of the balances have been changed. These balances stop functioning as directives and have an information character to them, indispensable for the needs of the central plan but not for enterprises. On the other hand, the distribution system affects only that group of articles which are very much in short supply. As far as some entries on the distribution list of raw materials, these may still be discussed. The main thing is that the distribution system which has been introduced is in its own way something completely different from the allotments in the directive-type system, a system many critics find so hard to break away from, even in their imagination. The whole arrangement of the program's operations is built on the creation of technological sequences, and the allotments of materials for these sequences differ from previous distribution lists. These will not be allotments for ministries, branches or enterprises, but will have a product-type character to them and affect specified products. Delivery of supplies for these products will be realized in the form of agreements between suppliers and consignees. Also the supervision by the Office of Materials Control will be different from the former industrial branch-type distribution system. The Office of Materials Control will be a ministerial function. No commands will be given to enterprises. Only norms for procedures will be set. For, you see, supply and sales centers will also be independent enterprises.

[Question] What method is being proposed to equalize the starting conditions of enterprises which still find themselves in a different situation?

[Answer] This is especially important in the principles which have been introduced. There is no method here changing matters; I can only mention that I foresee considerable burden for enterprises from reimbursing previous investment credits, where this is justified. Also I anticipate that it will be easier for enterprises to finance working capital.

[Question] Does this mean, however, that the start will be easy?

[Answer] In our situation there are no easy solutions or any easy starts. It is obvious that many difficulties will arise and that enterprises will have to surmount them. These difficulties, however, do not result from the new system, but from our country's existing situation into which we are introducing reform. The new mechanism is an unusually difficult, daring and risky attempt at solving these complicated problems. We cannot escape from these problems, nor from the efforts needed to overcome them.

[Interviewer] Thank you for the interview.

9866

CSO: 2600/112

ONGOING OIL CRISIS, SHORTAGE ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 48, 29 Nov 81 p 7

[Article by Piotr Cegielski: "How Much Gasoline Do We Have?"]

[Text] There are more and more automobiles: the number of personal vehicles has already exceeded 2.5 million. That is, it has doubled since 1976, while the amount of crude oil, the only material to date from which we produce gasoline, has, because of known foreign-exchange difficulties, decreased substantially. (Production of gasoline from coal and gas on a commercial scale is still a dream of the distant future.) In practice, the amount available for refining is limited to 13.5 million tons imported from the USSR. The 0.2 million tons extracted in Poland, or the illusions associated with Karlino are hardly worthy of mention. However, as recently as 1978, we refined nearly 17 million tons of crude oil: 13.4 million of that from the Soviet Union, 3.2 million tons of Arabian, and 0.4 million tons of Polish oil.

In the course of distilling and cracking crude oil, we get light gasoline, naphtha, diesel oil, lubricating oils, paraffin, heavy fuel oil, asphalt and other products, and about 17 percent of motor gasoline.

In order to help the gasoline balance, exports began to be restricted as early as 1979 of what in the preceding year still was a substantial amount (422,000 tons). By simultaneously increasing imports from the USSR, instead of being an exporter of gasoline (net) we became an importer. (See Table 1).

Thanks to this manipulation, the amount of motor gasoline available to the national economy remains, practically speaking, at an unchanged level of about 3.3 million tons a year. However, as I have already mentioned, the number of vehicles powered by gasoline is increasing rapidly. Primarily, these are private automobiles. The number of official passenger cars fluctuates around 50,000 units, while at the same time 500,000 private vehicles have appeared. Also, the use of gasoline by the socialized economy is a constant value of its own with a small decrease tendency in the last 2 years (despite the fact that the number of trucks has increased). To be sure, even this is a significant amount. First, because of the nature of these vehicles. Many are powered by low-compression engines, and their number is not decreasing, if only because first, we continue to produce as well as import them from abroad and, second, the use of gasoline by military vehicles is included here. (See Table 2).

Thus, despite some decrease in the consumption of gasoline by official vehicles, the amount of gasoline earmarked for individual consumers constantly increases. To be sure, an opinion has recently surfaced that as the result of the introduction of strict limitations on the use of gasoline by socialized economy units, some gasoline is getting to them from the individual consumer market. However, taking into consideration the reverse situation, that is, the availability of cheaper "official" gasoline on the black market, perhaps, it is possible to consider the calculation referred to above as reliable.

But, did this increase in the sale of gasoline in generally accessible Petroleum Products Center (CPN) stations equal the increase in the number of automobiles?

We come here to what is the most essential question for the average car user. How much gasoline is there per car? Is the general feeling true that the average ration of "yellow" [regular gasoline] or "blue" [high-test gasoline] is smaller and smaller from year to year?

It turns out, beginning with the terminal year (1978), that this is so in reality. (See Table 3).

Motorcycles were omitted here to simplify the calculation and to show the trend itself. So were motorbikes and equipment powered by motor gasoline. To be sure, the number of motorcycles is getting smaller from year to year but it still is over the 1 million mark. Therefore, in actuality, the amount of fuel per vehicle is less.

Although we actually have to do with a couple of hundred percent drop in the amount of gasoline for the statistical gas tank, the extent of the slump on the gasoline market is substantially deeper. Perhaps the problem is not that the limits of gasoline consumption below which automobile users would not be likely to go have already been exceeded, but rather, that mechanisms have made themselves known that we have to cope with in the entire industrial (and nonindustrial) articles market. Because, in despite the Dantean scenes in front of CPN stations, the growth tendency of gasoline for individual customers does not undergo any change this year.

Of 3,097,000 tons provided in the plan, 1,626,000 tons were assigned for the individual motorized market, or for the first time, more than 50 percent (specifically, 52.5 percent), except that by a later decision of the Anticrisis Operation Staff [OSA], 100,000 tons of this was taken and transferred to the socialized section. As a consequence, the sale to private individuals was set at a level of 1,526,000 tons, or lower than the 1,537,000 in the preceding year. However, it again turned out that the plan, and even OSA decisions are one thing, and life is another. Thus, supplies for the market have already substantially exceeded the planned level. Of the 2,462,000 tons of gasoline sold in the course of the first 9 months, 1,401,000 tons wound up in private vehicles. Supplies in comparison with the same period last year were almost identical, except that the socialized economy got barely 79.1 of last year's allotment, and the individual market 123.6 percent.

In addition, under the pressure of kilometer-long queues, the percentage share of supplies for private buyers was increased as high as 57 percent. According to CPN and the Ministry of Light Industry and Chemistry [MPLiC] forecasts, individual buyers will purchase 1,735,000 tons of gasoline, or 53.5 percent of all the motor gasoline sold by the end of the year. Thus, as these prognoses indicate, the supply rate for private cars will weaken, which assuredly will further deepen the market chaos, that is, unless radical measures (such, for example, as drastic price increases) are taken in the interim.

Let us return, however, to the size of the allotment mentioned here--an allotment which is strongly promoted by the ministry and by CPN for private buyers in the gasoline market--53.5 percent. In comparison with the not quite 29 percent of 5 years ago, it does indeed appear imposing. Nonetheless, as is indicated from the figures on the amount of gasoline per vehicle given above, it is not an indication of any priority for individual motorization, but only a logical increase in supplies associated with the increase in the number of private vehicles. The point, however, is whether this trend can be maintained in the future.

Unfortunately, everything indicates that again, the only oil available to us in 1982 will be Soviet oil. Consequently, at best, that will be 13.5 million tons plus some symbolic amount of Polish oil. This means, that at the utmost we will again manage to produce about 2.33 million tons of gasoline. We can look for reserves only in foreign trade. We have already restricted our export to just about zero, and import is the only thing left. Again, the only certainty is purchases in the Soviet Union. Even if for a second time that will be as much as 860,000 tons, then altogether we will have about 3.2 million tons of gasoline next year. But of course, the number of passenger cars will increase in that time by another 200,000 to 250,000 units, and will reach a ceiling of 2.7 to 2.75 million units. As calculated by Andrzej Zimowski in ZYCIE WARSZAWY, dollar purchases which would permit a return in 1982 to the gasoline usage level of 1980, (calculated on the usage average per car) would amount to \$51.5 million. Although this sum appears to be overly low, even so, in our present payments situation it operates to transplant us to a utopian world.

To be sure, consideration could be given to using the unutilized refining capacity of our petrochemical industry: buy crude oil, sell petroleum products and earn money for gasoline that way. However, what competitor in the world petroleum product market would allow us to do that?

Thus, unless the current proportions of the sale of gasoline on the private and socialized markets are changed (changes are being proposed in next year's plan), the allotment of fuel for those with cars will again become smaller. What is worse, everything points to such a trend maintaining itself in ensuing years. That will be the price of the intensive development of motorization without simultaneous consideration of the fuel base, and, of course, the entire crisis. We must remember that we are not in a position now to quickly correct the structural errors made during the last 10 years when we begin any kind of discussion about gasoline. For how are we to arrest the development of individual motorization when we have already taken orders for several hundred thousand automobiles, or develop petrochemistry without foreign exchange?

Thus, the field of maneuver is restricted to apportioning what we have. If we do not want to fall into a complete and very complicated absurdity with scores of preferential rationing loopholes, we must enforce conservation of gasoline on automobile users. It appears that we will not accomplish that in any way (not only in the socialized economy but also with respect to owners of private vehicles) other than through the price mechanism.

Table 1

Item	1979	Years		1981 (plan)
		1980	In thousands of tons	
Crude oil refining	16,617	16,126		13,700
Production of motor gasoline	3,051	2,750		2,330
Export of motor gasoline	208	230		36
Import of motor gasoline	507	778		860
Foreign trade balance	+299	+548		+824
Reserves balance	-34	+18		+116
Total for the country's needs	3,316	3,316		3,270

Table 2

Item	1976	1977	Years		1980
			1978	1979	
			In thousands of tons		
Motor gasoline consumption in Poland	2,844	3,082	3,271	3,316	3,316
Consumption by the socialized economy	2,023	2,058	2,096	1,971	1,779
Consumption by individual consumers	821	1,024	1,220	1,345	1,537
In percent	28.8	33.2	37.2	40.5	46.3

Table 3

Item	1976	1977	Years		1980
			1978	1979	
Private passenger cars (in thousands of units)	1,192	1,436	1,690	1,969	2,237
Private trucks (in thousands of units)	66	83	105	125	159
Consumption of gasoline by individual consumers (in thousands of tons)	821	1,024	1,220	1,345	1,537
Average per car (in kg)	654	674	680	642	616

Note: 1 kg of gasoline = about 1.37 liters

1981

CSO: 2600/92

ROLE PROBLEMS OF PRODUCER COOPERATIVES ANALYZED

Warsaw EXPRESS WIECZORNY in Polish 18 Nov 81 p 3

[Interview with Franciszek Teklinski, chairman of the Central Board of the Union of Agricultural Producer Cooperatives, by staff writer Kazimierz Krupa: "Every Tenth Kilogram of Grain and Slaughter Animals, Every Other Broiler Chicken--But in Agricultural Producer Cooperatives There Is also a Shortage of Tractors and Machinery;" date and place not given]

[Text] Today the food supply occupies the center stage. More attention, therefore, is given to agriculture and the rural environment and particularly to private farming which, to a considerable degree, is responsible for supplying the stores. Attention is also given to other forms of [farm] ownership. We have written a lot about the State Farms [PGR], about the results of economic reform introduced there on 1 July. There is a third form of ownership--one with which go so many of our expectations--the Agricultural Producer Cooperatives [RSP]. We are now talking about conditions in the cooperative movement in the country with the chairman of the Central Board of the Union of RSP's--Franciszek Teklinski.

[Question] What is the actual status of RSP holdings?

[Answer] The last decade provided good developmental conditions for us. During 1976-1980, over 1,400 cooperatives were formed.

There are 2,410 producer cooperatives in the country with 172,000 members and an area of 876,000 hectares under cultivation. This amounts to 4.2 percent of the total cultivated acreage of the nation.

[Question] It appears that you have profited from the prosperous years of the decade...

[Answer] Following the breakdown of the cooperative movement during 1956-60, and for several years afterward, there was a regression. This was the result of collectivization during the 1950-56 years. After that we slowly had to restore public confidence.

Until 1975, cooperatives developed slowly. Only during these past few years, as a result of agricultural policy, many private farms fell out of production and their lands were transferred to the State Land Fund [PFZ]. The necessity of cultivating of these lands made it a more favorable condition for the formation of cooperatives.

Many cooperatives were formed from lands based on the Agricultural Circles' Cooperatives [SKR] whose activities far too often did not produce the desired results.

[Question] From time to time, farmers complain that they were refused an allocation of land for development because the land was given instead to the cooperatives.

[Answer] There have been some isolated cases of such conduct and we tried to solve them out of hand. Even in [farmland] integration the interests of the private farmers were taken into account. In order to avoid conflicts, agreements on [land] unification were concluded with them. Currently such conflicts do not take place, occasionally some unfounded complaints arise pertaining, for instance, to land which was already sold.

Reform Will Also Include RSP's

[Question] To what degree do the cooperatives participate in the total agricultural production of the country?

[Answer] In 1980, we sold to the state over 11 percent of their total grain purchases, about 9 percent of slaughter animals and over 40 percent of the entire national production of broiler chickens.

[Question] What is the immediate future of the cooperative movement?

[Answer] The majority of RSP's are young enterprises, no more than 5 years in existence.

The RSP Union must concentrate its efforts to help them, to strengthen them economically and organizationally. This is necessary in order to secure a continuing improvement in the cooperatives members' living conditions and in order to carry out their production tasks. If our cooperatives function satisfactorily, they will contribute to a further development of cooperatives among the farmers.

[Question] The planned economic reform will also have an impact on the cooperatives banded together in your union...

[Answer] We are placing great hopes on this. A strengthening of the RSP's independence and self-government should serve to initiate among cooperative members all kinds of initiatives aimed at a stabilization of the respective production directions, an increase in labor intensiveness and exploitation of all reserves.

[Question] Isn't it true that as yet there has been no direction of production given to the cooperative movement?

[Answer] Sowing limits have been imposed in proportion to the total sown acreage. Purchasing limits have been set and the cooperatives must later present a full accounting for them. This has limited independence in decisionmaking, however, those mechanics are no longer active and will have no bearing when the reform is introduced.

Are Subsidies a Privilege?

[Question] Individual [private] farmers were never too happy about the fact that RSP's were formed on their territory. They maintain that the RSP's are taking advantage of large state subsidies and receive larger allocations of construction materials and agricultural machinery.

[Answer] Such criticism is often undeserved and damaging. The subsidy system, such as it prevailed during the past period, was applicable to all sectors of the farming economy and was applied in various forms.

When the producer cooperatives had subsidies for their net, final production, the same as did the PGR's and SKR's, such subsidy was earmarked for the development fund while in the PGR's and SKR's it was to cover the high cost of production. Also subsidized were certain preferred sectors of farming (for example, sow raising) and those cooperatives which farmed on the worst types of soil.

On the other hand, the private farmers have also received this type of subsidy if only in the form of the continuance of very low prices for agricultural services provided by the SKR's. The operational system of subsidies was, at that time, developed to replace the policy of increasing the effectiveness of farming. This was unsuitable for all sectors of agriculture because concurrently with it the pricing policies caused cooperative production to become increasingly unprofitable.

[Question] How are the matters of deliveries of construction materials and farm machinery?

[Answer] The needs of cooperatives in the area of construction materials have never been fully satisfied. The fact that they could build at all was the result of formation of many cooperative construction-repair groups and the undertaking of local fabrication of many materials through their own efforts. Only the broiler-chicken farms were privileged and had, in principle, full deliveries of construction materials. The widespread opinion that preferential allotments of farm machinery were given to the cooperatives is unjustified. In proportion to the rate of growth of cultivated acreage, we had received far too few tractors and pieces of machinery. In the newly organized cooperatives, there is only one tractor per 50 hectares of plowed acreage.

Private farmers are still holding on to their horses. Agreed, it is often from sheer necessity, but also from an economic choice. On the other hand, it would be rather difficult now to introduce horses to high-volume farming.

Much Depends on Self-Government

[Question] During my conversations with private farmers, I have encountered an accusation against some cooperatives, they often excessively abuse their equipment and all field work is performed late, often after the agrotechnical term has passed by.

[Answer] Many new cooperatives do not have a technical support base at their disposal, they cannot always insure proper equipment maintenance. It also has to be stressed that the equipment used by the cooperatives is more intensively utilized, therefore,

it is quite possible that the prime movers are used up at a faster rate. But certainly, this does not apply to all the cooperatives. Additionally, the situation in this field is undergoing constant improvement from year to year.

Delays caused by subjective reasons in timely accomplishment of field work have to be disregarded--after all, this would influence the conclusions. The fundamental direction here is given by the self-government. The deciding factor is a conscious discipline of the cooperative leadership and everyone of its members. Wherever the self-government works well there are no delays.

[Question] What will be the role of the Central Union, which you are chairing, under the new independence and self-government conditions?

[Answer] The role of the union is changing. It will preserve its supervisory capacity, however the main thrust of our activities will be in providing the cooperatives with a consultative service.

The extent of the union's influence on economic activity is being limited. In relation to the SKR, the union must fulfill a service role and will also represent them to the outside interests.

9511

CSO: 2600/102

[Question] Surely some farmers treat grain as a peculiar capital investment; they do not have anything to spend money on, and therefore they prefer to store grain.

[Answer] Grain can be stored for a comparatively long time under the appropriate storage conditions, but a few farms have good warehouses. However, grain must not be nibbled away, for rodents and other warehouse vermin will work their own destruction.

Moreover, the potato, beet, and bulk fodder crops have been good, so there certainly will not be as many purchases on the free market as there were last spring.

[Question] And what are the prospects for further procurements? What are our chances for decreasing our grain import?

[Answer] We produce about 21 million tons of grain. We need 6 million tons for our own consumers. Unfortunately we do not collect that much; a lot of grain does and must remain on the farms, primarily for fodder. Last year we purchased very little grain, 2 million tons of it, while this year we are planning to purchase 3.6 million tons. The yields are greater, so a larger amount of grain will be earmarked for sale. Thus far this grain often has not been of the best quality; it has come straight from the harvesters. The grain from the later threshings certainly will be better. Moreover, we need grain not only for consumption, but also for fodder mixtures. These needs exceed the possibilities of procurement from our farmers several times over. Thus, import is indispensable. We are very far from being self-sufficient; our yields are too low. Thus, we have to import grain.

With the present grain-variety structure, we can only be self-sufficient with regard to rye. Even if our wheat yields increased significantly, we would have to continue to import a high-quality baking grain. Some of our varieties of wheat are disastrous for baking. Quantity will not take the place of quality. We are placing certain hopes in the new, valuable Begra and Modra varieties, but for the time being the Grana variety, beloved by the farmers, reigns supreme. One cannot bake good bread from its flour, however. On the other hand, macaroni-type wheat is not cultivated under our climatic conditions, so we have to import it.

[Question] How prepared are the procurement points, warehouses, dryers and cleaners in your enterprises?

[Answer] We have large-capacity warehouses prepared, and there is no fear that the farmers will overwhelm us with grain, in fact I wish they would try. Thus far, procurement has not been too great, and generally dry grain has been delivered, so we have been able to work calmly without overtaxing ourselves and, thus, without mishaps. Before the procurement campaign there was not as much grain in the warehouses as the press said there was, and now there is room for new grain.

[Question] Soon you will have unused strengths, so you could dry and clean grain as a service for the farmers. Was there some conflict in Mscice near Koszalin as a result of this fact?

[Answer] We see it this way: the farmer should set aside grain that has been contracted, and we can dry as much of his surplus for him as possible. But in Mscice the farmers wanted to dry and to take the grain, although it had been contracted for. A contractual agreement is binding on both parties.

[Question] Do you have enough warehouse area and equipment?

[Answer] We have enough for the present procurement. But if it is a wet year, our receiving and drying capabilities will not be sufficient. Therefore, since we do not know what the weather will be like, we have established allowances for storage in order to spread our deliveries out over time. We should have drying plants with a 50 percent larger capacity. But that will not happen right away. Rofama only develops production of domestic drying plants for grain, and for the time being we are not importing this equipment.

[Question] And what about drying grain in the drum-drying plants for green forage, which we have too many of in Poland?

[Answer] Drying by means of gas combustion in primitive drying plants of this type can only be an extreme step, with only fodder coming into play, when we are already facing a dilemma either of having grain spoil or of drying it in drum drying plants. There cannot be any rule.

[Question] In recent months, the milling of grain abroad has upset everyone. Is this a regular practice?

[Answer] We have not concluded any contracts since the contract concluded with Czechoslovakia at the beginning of 1981. At the present time, we are milling the grain ourselves. This is due mainly to our self-sacrificing labor forces, which have worked most free Saturdays and Sundays all along. Thanks to that, we have exceeded our production plans, which has permitted us to renounce our temporary departure from the norm with regard to the content of mineral salts. The flour was darker.

[Question] But dark flour is healthier, precisely from the standpoint of its higher mineral salt content.

[Answer] That is certainly true, but people demand white bread. Since we lowered the norm in May, complaints about the quality of bakery goods have intensified. But there was only a little grain; we had to proceed as we did. Thanks to that, we were able to produce 7,000 tons more flour monthly. However, let us not deceive ourselves that lighter flour will resolve the problem of the quality of bakery goods completely; there are many other factors that have an effect, and many deficiencies in bread baking must be eliminated.

[Question] And what is the situation with groats, particularly buckwheat groats, for buckwheat has been showing a good yield lately?

[Answer] Control has stabilized the market, and trade reserves have been built up again. Previously groats was made largely into fodder, so we were continually unable to satisfy demand. As for buckwheat groats, we can produce about 15,000 tons annually working almost 7 days a week. The remaining producers produce another 1,000 tons, and that is the total capacity. It is too little. Moreover, until 1 September 1981 prices were set paradoxically. One kilogram of groats cost 29 zlotys, and we pay farmers 30 zlotys per kilogram of buckwheat. And by weight we get 55 percent of our groats from buckwheat. Where is the production profitability here? Buckwheat has had a good yield lately and we have had fairly large reserves of it, so we shipped 20,000 tons to the USSR for processing. That was a favorable transaction.

[Question] Is the milling authority interested in the development of small mills? Are you helping them?

[Answer] We are interested in their development, especially where grain is available and where there is a demand for flour, so as not to cart grain unnecessarily to our warehouses. How can we help them? If we have some dispensable machinery, we are selling it. However, we ourselves are having much difficulty keeping supplied with the necessary machinery, spare parts and materials; therefore, the possibility of our helping them is limited, of necessity.

8729

CSO: 2600/115

SLOVENIAN EMPLOYMENT PROBLEMS

Belgrade BORBA in Serbo-Croatian 6 Dec 81 p 4

[Article by J. Pjevic: "New Policy, Old Practice"]

[Text] Ljubljana--In the discussions and agreements on socio-economic development and business activity in 1982, unemployment is being discussed a great deal because it is becoming an increasingly more complex and serious economic and social problem for the Slovene situation.

The first problem is the fact that a "surplus" of workers has appeared in Slovenia. This year the average monthly requirements of organizations of associated labor for new workers were around 9000 (a fifth less than last year), and the number of unemployed seeking work is between 13,000 and 14,000. The problem is also in the fact that among the unemployed who have been registered there is an increasing number of people seeking employment for the first time, among whom most are young people (around 3,500 per month) who have graduated from secondary schools, colleges, and universities. Many have non-productive specialties in which the OURs [organizations of associated labor] are least interested. The difficulty is also in the fact that the OURs still, in spite of all the planning and other documents, are seeking and employing workers with so-called narrow profiles and without qualifications.

In addition to ignoring the planned and agreed-upon orientation to improve the qualification structure, first of all by employing experts and workers with higher qualifications, the OURs are also not abiding by the social agreements and self-managing agreements to provide at least minimal housing and other living conditions for new employees, especially for workers from other republics. In fact, according to the planning documents and the social agreements and self-managing agreements that have been adopted, the OURs should not employ even one new worker if they are unable to provide him at the start with at least minimal living conditions and later on with "average normal conditions."

The deviations by the OURs from the policy that has been adopted are also demonstrated by the notices about the "requirements for workers" that are published once a week in the LJUBLJANA DELO [newspaper] by the Republican Alliance of Communal and Regional Communities for Employment, under the following very characteristic title: "Requirements for workers submitted by firms and private employers, which could not be covered from among the temporarily unemployed

in Slovenia who are seeking employment." These notices are thus exclusively directed toward workers from other republics who wish to be employed in Slovenia.

It turns out from these notices that the Slovenian OURs are seeking workers from other republics primarily with a so-called narrow profile and without qualifications. According to the latest "requirement" the OURs requested a total of 78 workers from the other republics, of which most were women to clean business premises and others for a monthly salary of 5,100 to 5,900 dinars (and in only one case up to 7,400), which is on the borderline of the guaranteed minimum salary in Slovenia. After all of the vacancies announced in these notices there is a comment: no apartment!

9909

CSO: 2800/144

YUGOSLAVIA

EMPLOYMENT OUTLOOK FOR 1982 IN MACEDONIA

Belgrade BORBA in Serbo-Croatian 6 Dec 81 p 4

[Article by unidentified author: "Time For Real Moves"]

[Text] Skopje--Explaining the Draft Social Plan for Macedonia for next year, the day before yesterday in the Assembly of Macedonia Blagoje Popov said that the most serious problems in development are expected in the area of employment. For the first time in a long time, said Popov, the 2 percent rate in growth of employment in the Republic does not make it possible to employ even the natural increase in the active population.

The number of those employed in 1982, according to the plan, would be only about 9 thousand people more and along with another approximately 6 thousand to replace those who are retiring, Macedonia would have a total of 444 thousand people employed at the end of next year.

The seriousness of this problem requires very extensive and energetic social action. To tell the truth, such actions have been conducted in Macedonia for several years, but the expected results, except in some communes, are almost lacking.

Therefore, 1982, according to President of the Republican Executive Council Blagoje Popov, must be a turning point in employment relations. This primarily has to do with the "factors" in the communes whose obligation and primary task is to carry out the agreements that were reached a long time ago on the retail economy, contractual organizations, the employment of returnees, and so forth. In this way, room would be created for a noticeable alleviation of unemployment, because the retail economy alone is offering several tens of thousands of new jobs. There are also very large unutilized possibilities in agriculture as was stated from the assembly rostrum.

Instead of "undertaking measures" one should expect a concrete reduction in overtime and additional work, work according to a contract for a job, the employment of retirees...

The problems and difficulties are not new ones. They are only increasing in acuteness and urgency. Even the obligations are not new ones. They are coming, however, at a time when the overall development and prosperity of the Republic depend on carrying out every obligation.

It is time for real action, especially in the communes, which today, when Macedonia has over 120,000 unemployed, are hindering more than aiding employment through their "instruments" and bureaucratic administration. At a time of a drastic reduction in new capacities in the economy and in other areas, the worst that can happen is that this action too will be short-lived.

9909

CSO: 2800/144

MEAT, FLOUR INDUSTRIES THREATENED IN BOSNIA-HERCEGOVINA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 8 Dec 81 p 11

[Article by Marko Mirnic: "The Milling Industry Is the Most Threatened"]

[Excerpts] The shortage of raw materials with which numerous organizations in Bosnia-Hercegovina have been confronted in recent years has not bypassed the food industry of this republic either. Because of this several groups in particular are working with considerably reduced capacities. With respect to this, it is significant that these are raw materials of domestic origin, because this industry is much less dependent on imports in comparison with many other industries in the Republic.

The milling industry, which has already been working for a long time with limited possibilities, is in the most unenviable position. For example, last year only 80 percent of the existing capacity was employed, and now this percentage is even lower. This is because, in order to reduce wheat imports, there was an increase in the purchase of flour from domestic producers, whose shipments have in any case been stagnating since 1978 and have been reduced almost to the minimum.

Specifically, shipments from Vojvodina have been reduced from what they once were, about 120,000 tons, to 22,500 tons of wheat, and shipments from Croatia have been reduced from over 100,000 to only 6000 to 7000 tons of this grain. In supplying this basic raw material, the preference is obviously being given to one's own processing capacities, and flour is more willingly shipped to other areas.

Since the requirements of the milling industry cannot be compensated for even by purchases of wheat from the reserves, this product is being imported, and, for example, last year 180,000 tons were obtained from abroad, and this year about 200,000 tons of wheat are planned. These are, naturally, quantities that could not have been obtained in our country. Of this, 50,000 tons will be imported by the end of the year, and the remaining 150,000 tons will be imported in the first half of 1982.

Zdravko Galic and Azudin Aganovic, from the Bosnia-Hercegovina Business Community for the Production and Sale of Food, feel that wheat is not being imported only in order to employ the mill capacities, but primarily to reduce the shortage of flour on the Bosnia-Hercegovina market, and to provide the necessary amounts. If there were enough flour, this grain would certainly not be imported, even at the cost of closing down some mill capacities, which has at any rate already been done. For example, because of the raw material shortage, which is undoubtedly the limiting factor in the development of the milling industry (which represents almost 50 percent of the total processing capacity of the Republic's food industry), the mills in Dryar, Gradacac, and Bosanska Krupa have ceased work. Only the mill in Bosanska Krupa has so far been reoriented toward another product, livestock feed.

The capacities for processing wheat and rye into flour in the other 20 mills, as many as there are all together in Bosnia-Hercegovina, amount to 450,000 to 460,000 tons, and working in four shifts, they can even process 500,000 tons of this grains. On the average, however, they process between 360,000 and 380,000 tons each year. From this year's harvest in the Republic, 60,000 tons of wheat has been bought, which is twice as much as last year; but this is only 10 percent of the republic's needs, which thus amount to about 600,000 tons of wheat. This great difference, 540,000 tons, must be provided from other sources. In addition to imports, it is expected that 130,000 tons of flour will be purchased in Vojvodina, 101,500 tons of flour and wheat in Croatia, etc.

Critical In the Meat Industry As Well

The meat industry is likewise in a difficult situation, because it is employing only half of the available processing capacity. The reason is that there is no material for processing, and livestock fattening is increasingly weaker. The costs of livestock fattening are significantly higher than the costs of meat and the final products of this industry. Thus, in this industry, which in any case imports little, the losses are growing along with increased production.

A similar thing is occurring with the livestock fodder industry, where the shortage of protein components is the greatest. There is especially a lack of corn, which constitutes 65 percent of the feed mixtures. It is believed that there is enough of this product in the country, but it is being kept in barns, because prices more favorable than the current purchase prices are anticipated. It is precisely for this reason that only 10 percent of the quantities with respect to the needs and possible supply has been obtained from individual producers in Bosnia-Hercegovina. Corn is in fact being sold on the open market, and is reaching a price of 12-15 dinars per kilogram at the market. The situation is no better in regard to the realization of contracts for shipping corn from this area outside its borders. For example, according to a contract, Vojvodina was supposed to send this republic about 125,000 tons of corn, but so far not even a kilogram has arrived.

9909

CSO: 2800/135

PLANS FOR DOMESTIC PRODUCTION OF RAILROAD EQUIPMENT

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12-14 Dec 81 p 2

[Article by Dusan Ivanovic: "Great Expectation by the Community"]

[Text] One should not be a great optimist and believe that the agreement on cooperation between the producers of railroad vehicles and the Yugoslav railroads has solved the problem of modernizing transportation and developing domestic machine building all at one. It is quite certain that there will be some difficulties from what is written in the implementation documents. The two fields that are oriented toward each other showed full agreement and chose a joint path of development in the current medium-term period and later on; and although the fruits of their cooperation are beginning to appear, appropriate results must be awaited.

Normally such agreements are more easily followed by banks with credit participation, as well as foreign resources. This is not without significance in such large businesses. Such an approach will make possible the implementation of a production program for the necessary number of locomotives, passenger and freight cars, which will [in turn] make it possible to increase passenger transportation by 2.7 percent, and freight transportation by 5.4 percent.

From the standpoint of investments in production, this would be the minimum variant for the necessary transportation and traction equipment, although the Yugoslav railroads have developed a program and an optimum plan that would require 83 percent greater investments. In this variant, passenger transportation would increase at a rate of 10 percent, and freight transportation at 8 percent annually. The participants in implementation of the program for the production of railroad vehicles are not prepared for something like this, since there are simply no monetary funds or resources from which the financial structure could be completed.

Even acceptance of the minimum variant represents a success, however, since the railroads are to obtain 102 electric locomotives, 72 diesel transportation locomotives and 38 diesel switching ones, 61 electric motor trains and 46 diesel motor ones, 671 passenger cars, and 13,075 freight cars.

This would mean a great deal for the railroad rolling stock, since one should not lose sight of the fact that this is not only a question of modernization, but also of the safety of railroad transportation, as we are still using pre-war equipment that has worn out due to fatigue of the material.

Monetary Funds

According to an estimate, close to 34 billion dinars would have to be provided to implement the minimum variant. This sum will certainly be considerably higher, since the values were calculated on the basis of the prices in effect at the beginning of 1980. The prices now are about 40 percent higher; but at this time, no matter how unconvincing it may sound, this is not the most crucial thing. Some money will be found. More essential is the fact that there is almost complete agreement among the participants the adopted production program to be implemented--including producers of railroad vehicles, consumers and banks--that cooperation in resolving the problem must be fostered.

In any case, the procurement plan, and the plan for the production of the transportation and traction equipment, are to be implemented in accordance with the following financial structure: half of the necessary funds will be provided by the commercial banks of the producers, 25 percent by commercial banks loans of the railroad transportation organizations, 15 percent by Eurofima and other designated funds (a portion of the tax from liquid fuels), and 10 percent by the railroad transportation organizations. It was proposed that the commercial banks approve loans with a 7 to 10 year repayment period and an annual interest rate of 7 percent.

It was noted that there is a revival in the process of combining funds among the participants to implement the railroad equipment production program, and it is expected that the organizations concerned will continue in this direction. For the time being a sum of 20 percent of the total funds required is being discussed, but it is felt that this percentage will increase from year to year. It should be taken into account that a large number of entities--producers consumers and banks from all of our republics and provinces, are participating in the process to implement the plan. In effect a large part of the economy has been drawn into long-term cooperation.

Without going into exceptional cases, the entire program procurement of transportation and traction equipment would be carried out by domestic industry. For this purpose, a self-managing agreement has been adopted between the railroad transportation organizations and the associated labor organizations in the field of the railroad vehicle industry.

Effects of the Investments

The immediate effect of the development of railroad transportation is to be reflected in energy conservation and the replacement of imported energy raw materials by domestic ones. The fact is that on the average every highway vehicle requires 53 percent more liquid fuel than a diesel locomotive for the same transport task. It is well known, furthermore, that a diesel locomotive requires a 3.9 percent greater equivalent amount of liquid fuel than an electric locomotive requires electrical energy. From these comparisons it turns out that a highway vehicle requires about 6 times more electrical potential than an electric locomotive.

The value of the energy that would be saved in 6 years by increased use of rail transport in place of highway vehicles (calculated at current market prices) would be enough to cover the entire value of the investments for the procurement of the transportation and traction equipment. Furthermore one must always keep in mind the replacement of an imported energy raw material (oil) by domestic electrical energy.

It should be emphasized that transport reduces the share of transport costs in the price of a product. Estimates show that this makes up 20 percent using all types of transportation, but railroad transport reduces this share to 5 percent.

One must also take into account the incentive to railroad vehicle production, since 70 percent of the capacity of the finished product manufacturers will be involved, instead of the current 40 percent. This would make possible the employment of another 16,000 workers in this field: 4,000 in the operations of the finished product manufacturers, and 12,000 workers in the production of semi-finished products and components.

Comprehensive analyses also show other advantages, which it is not necessary to cite at this time. It is clear on the basis of some of the above-mentioned facts how much the railroad vehicle industry and the railroads will benefit from their joint development. Normally the full effects of cooperation cannot be expected at once, but, in any case, they will be demonstrated in the course of the current medium-term period; this will be a great contribution to the stabilization efforts.

9909

CSO: 2800/145

BRIEFS

FALL IN LIVING STANDARD--The average net personal income for the first 8 months of 1981 amounted to 9,331 dinars, according to the Federal Bureau for Statistics; this indicates that the decline in the standard of living continued also in the summer months. Workers employed in the economy received an average of 9,172 dinars, while those in non-economic sectors received 990 dinars more on the average. The highest paid in the economic sectors were workers in financial services (11,698 dinars), while the lowest paid were hotel and restaurant facility operators (8,022 dinars). Nominal net incomes during this period increased 27 percent on the average over the same 1980 period. But comparing these to the cost of living index showed that personal incomes were in fact 7 percent less than the 1980 average for the same period. The results of inflation were evident most in Slovenia where personal incomes were 11 percent less, while they were least evident in Kosovo and Vojvodina where wages were only 3 percent less (in Kosovo) and 4 percent less (in Vojvodina). The Federal Bureau for Statistics also reported that gross incomes for the 8-month period averaged 13,455 dinars per month, showing that 4,124 dinars, or about 45 percent, of the average monthly income goes for contributions and taxes. [Excerpts] [Belgrade BORBA in Serbo-Croatian 5 Dec 81 p 5]

WHEAT PLANTING--As of 7 December wheat had been planted on a total of 1,482,500 hectares, or 95 percent of the planned area. This is a correction of the previous report that 94.3 percent of the plan had been fulfilled. The private farmers in Vojvodina met the plan 100 percent, while socialized farms exceeded the plan by 3.5 percent. In Serbia proper the plan was 93.5 percent fulfilled. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 15 Dec 81 p 2]

RECORD CARGO TURNOVER AT RIJEKA--This year the port of Rijeka expects to have a record cargo turnover of about 7,620,000 tons (not including the Pula OOUR (basic organization of associated labor)); this is about 200,000 tons more than in 1980, and some 500,000 tons more than planned. The largest increase was bulk cargo handled in the port of Bakar, totaling more than 4 million tons. This year the port of Rijeka will earn a total of \$46 million in foreign exchange, \$36 million from the convertible area and the remainder from the clearing-account area; this is about 20 percent more foreign exchange than last year. Next year foreign exchange earnings are planned at \$50 million, most from the convertible currency area. Calculations show that for one dollar that flows out, three dollars in foreign exchange come in. The share of transit freight was 75 percent of total turnover; this ratio will continue also in 1982. However, as a result of restrictions by many countries and reduced production predicted for Hungary, the CSSR, and Austria (the main shippers

through Rijeka), a certain stagnation is expected in transshipping next year. Nevertheless, the 1982 plan calls for a turnover of 7.2 million tons of cargo, as well as reconstruction of the rail track, most of which is over 80 years old, construction of an RO-RO ramp at the Bakar terminal, and purchase of additional port area. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Dec 81 p 3]

ENERGY PRODUCTION, CONSUMPTION, IMPORTS--According to the corrected balance sheet, total imports of crude oil this year will be 10.1 million tons, in addition to 460,000 tons of oil derivatives; this is about 9 percent less than in 1980. If one adds to this the 4.3 million tons of oil planned for domestic production, the consumption of liquid fuels this year should be about 7.5 percent less than last year. But 1981 consumption has been a million tons of oil derivatives over the plan and about 800,000 tons over that of last year. Despite this, there has not been a day that some industrial plant or transportation facility somewhere has not been idled because of short [fuel] supplies. The shortage of derivatives, especially mazut, would have been even greater if some consumers had not been hooked up to gas pipelines. Re-orientation to this fuel, however, has been slow, although authorities say there are adequate supplies. This year 5 billion cubic meters of natural gas are planned for consumption (about 1.7 billion more than last year); in the first 9 months 2.5 billion cubic meters were consumed, approximately the same as in the first 9 months of 1980. More oil was consumed this year because industry was not technically prepared to use other fuels or to invest even minimal funds in preparing to use activated [coal] reserves from Gacko and the "Ugljevik" enterprise. While the total social product approximately met the planned increase of 3.5 percent, industrial production was considerably below the plan, and energy reserves were exhausted; moreover, production of energy raw materials did not increase. About 51.5 million tons of coal will be produced, instead of the planned 57.3 million tons. Suggested plans for 1982 call for importing 10.1 million tons of oil and 900,000 tons of derivatives, while domestic production will increase by only about 100,000 tons. This proposal depends on a 16.8-percent increase in coal production, a 6-percent increase in electric power production and a 23-percent increase in gas production over 1981. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19-21 Dec 81 p 1]

CSO: 2800/166

END

END OF

FICHE

DATE FILMED

JANUARY 20, 1982

